

## APPENDIX 1 REGIONAL PERFORMANCE AND SUCCESS STORIES

### Region I

New England Region surpassed all records during FY 2004. **Starting with SBA guarantee loans, Region I guaranteed 7,888 loans totaling \$930 million to New England small businesses, an 8 percent increase over last year.** In addition, to approving 7,368 7(a) loans, the New England District office approved 520 Sec.504 loans translating into a 19 percent increase in 504 loan and exceeding the Agency regional goal of 456. These were substantial increases over prior years.

This Region also exceeded its goal in the area of and ED counseling and training programs nearly exceeding 100,000. SBA's activity had a direct effect on the region's economy; for example, SBA-backed loans injected more than \$105 million into the State of Rhode Island's economy and created or retained an estimated 3,532 jobs.

Region I States	Approved 7(a) and 504 loans (millions of dollars) <sup>1</sup>		SBIC financings (millions of dollars) <sup>1</sup>		Federal Procurement contracts (millions of dollars) <sup>2</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>3</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Connecticut	164	199	75	50	5,960	8,294	21,423	19,761
Maine	55	64	5	25	1,133	1,238	11,283	12,435
Massachusetts	288	347	141	158	5,816	7,726	37,795	26,352
New Hampshire	119	152	18	16	695	665	10,276	10,149
Rhode Island <sup>1</sup>	83	102	9	6	429	602	11,367	8,304
Vermont	41	63	1	4	362	528	5,865	5,671
Totals	750	927	249	259	14,395	19,053	100,310	82,672

<sup>1</sup> Data derived from Loan Accounting Tracking System.

<sup>2</sup> Data obtained from Federal Procurement Data System.

<sup>3</sup> SBA Scorecard Data derived from Loan Accounting Tracking System.

## Region I

### **Burlington-based S4, Inc. Grows to Support Homeland Security**



*Chandu Shah*

Chandu Shah founded Burlington-based S4, Inc. in 1999 to provide a full range of program management, information technology (IT) and technical and administrative support services to government agencies with mission critical requirements. The company holds top-secret facility clearance that is necessary to compete for work with federal

agencies that require a secure, classified environment.

After a 20-year career in operations and program management, Shah decided to strike out on his own. Before launching his own business, Shah consulted with the Service Corps of Retired Executives (SCORE), a U.S. Small Business Administration resource partner, which provides free business counseling to both existing and start-up businesses. He found SCORE advice “very helpful in starting his business”.

Shah also applied for SBA 8(a) status and was approved in 1999. SBA’s 8(a) Business Development Program is designed to help socially and economically disadvantaged

entrepreneurs gain access to the economic mainstream and to gain a foothold in the government contracting market.

SBA offers 8(a) certified firms a wide-range of services: support for government contracts, access to capital, management and technical assistance, and export assistance, just to name a few. Participation is divided into two phases over nine years: a four-year developmental stage and a five-year transition stage.

Since becoming 8(a) certified, S4 has won \$7.2 million worth of government contracts, including a large five-year competitive prime procurement with the Department of Homeland Security - Customs and Border Protection. S4 will help in the operation of a major communications facility and will also help maintain 500 antenna sites nationwide that Customs uses for radio communications. This contract has enabled S4 to hire an additional 16 IT professionals. Last year, S4 was awarded a prime contract with the Special Operations Command at AFSOC, Hurlburt Field AFB, FL, to provide administration of the Personnel Data Systems. AFSOC/DP is responsible for providing responsive quality personnel services, plans, programs and policies for 21,000 special operations and combat search and rescue personnel worldwide.

S4 also received a \$150,000 SBA backed loan from Citizens Bank of Massachusetts to fund the start-up costs associated with this large contract. Shah says that this financing helped the company overcome a “cash flow crunch.”

## Region II

The New York/New Jersey Region had a very successful Fiscal Year 2004, \$1,466,000 of 7(a) loans the region approved \$527 million in SBIC financing. Region II also

awarded over \$12 million in contracts and counseled over 150,000 clients. These were substantial increases over prior years.

Region II States	Approved 7(a) and 504 loans (millions of dollars) <sup>4</sup>		SBIC financings (millions of dollars) <sup>4</sup>		Federal Procurement contracts (millions of dollars) <sup>5</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>6</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
New Jersey	488	599	109	127	3,592	4,656	44,972	41,010
New York	611	716	369	397	6,063	6,606	79,141	97,689
Puerto Rico	116	148	6	3	N/A	N/A	23,539	17,522
Totals	1,215	1,463	484	527	9,655	11,262	174,854	156,221

<sup>4</sup> Data derived from Loan Accounting Tracking System.

<sup>5</sup> Data obtained from Federal Procurement Data System.

<sup>6</sup> SBA Scorecard

## Region II

### Woman Small Business Owner Offers Serenity with Service with Help from the SBA



When Tara Lendener-Mendez decided to start her own business—a day spa—the result was the establishment of Ascend Day Spa in the heart of a residential neighborhood in Kew Gardens, Queens. After many months of planning, Ascend Day Spa was opened in November 2003 with the help of a loan from HSBC

Bank, which was guaranteed by the U.S. Small Business Administration. According to Lendener-Mendez, she may not have been able to devote her time to the personal

touches that her business requires, had it not been for the financial peace of mind afforded by the SBA loan, as well as the free counseling she received from the Small Business Development Center (SBDC) at LaGuardia Community College. (The SBDC is funded by the SBA.)

“The support and guidance I received from Rosa Figueroa at the SBDC gave me the confidence to present a clear and concise business plan to the bank,” said Lendener-Mendez. “Rosa helped me to organize and perfect my plans when it came to things like renovation costs, inventory purchasing, marketing, payroll, money management and profit expectations.” Lendener-Mendez’s customers include those individuals who used to get their manicures and pedicures at some point in the day while working in Manhattan. Now, those individuals wait for the weekend or until they get home in order to get the peace and tranquility provided by Ascend Spa experience.

### Region III

Region III is one of the most populated regions in the nation and includes a mix of urban, suburban and rural areas. It has seven (7) district offices located in Wilmington, Delaware; Baltimore, Maryland; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Richmond, Virginia; Clarksburg, West Virginia; and Washington, D.C.

Further, the Region just conducted, on August 17th and 18th, the largest (by far) Matchmaking Event held this fiscal year. Over 500 businesses participated. There were in excess of 3,000 appointments with the approximate 135 buyers represented.

Region III States	Approved 7(a) and 504 loans (millions of dollars) <sup>7</sup>		SBIC financings (millions of dollars) <sup>7</sup>		Federal Procurement contracts (millions of dollars) <sup>8</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>9</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Delaware	21	36	50	10	165	206	7,806	5,959
Washington, DC	23	31	10	7	10,586	11,100	26,154	18,323
Pennsylvania	469	573	129	99	6,597	7,382	55,616	62,502
Maryland	163	223	56	61	12,782	15,055	25,342	24,427
Virginia	210	298	77	67	24,791	29,604	21,829	20,706
West Virginia	40	38	3	13	502	569	8,678	9,865
Totals	926	1,199	325	257	55,423	63,916	139,734	141,782

<sup>7</sup> Data derived from Loan Accounting Tracking System.

<sup>8</sup> Data obtained from Federal Procurement Data System.

<sup>9</sup> SBA Scorecard

### Region III Small Business Star Serves Nation's Athletes



Kevin Plank

Kevin Plank, founder and President of Under Armour Performance Apparel, Inc., has experienced tremendous growth of over 250 percent each year since 1997. The small Baltimore company has achieved such success and has cornered the market on specialized athletic apparel through strategic planning. Plank's brother investigated the available financing options

and, working with Adams National Bank, Under Armour applied for and received a CAP Line and 7(a) loan guarantee from the U.S. Small Business Administration (SBA). Under Armour again turned to SBA for assistance, receiving another 7(a) loan guarantee and negotiating a line

of credit through Adams National Bank. According to the company, "Under Armour has been extremely pleased with the partnership between Adams National Bank and the SBA. As Under Armour has matured, the execution becomes easier as time goes on."

Under Armour has experienced exceptional average annual revenue growth of 250 percent since its inception in 1996 and has exceeded \$115 million in sales in 2003, after reaching \$55 million in 2002. The company is on target to achieve sales of approximately \$250 million in 2004. The company now employs nearly 300 people, having hired 140 employees just last year. The company has outgrown its manufacturing location in Baltimore County, Maryland and has relocated its operations to a new, larger facility in Anne Arundel County, Maryland.

Under Armour has transitioned from a rising star in the athletic apparel industry to the performance apparel industry leader. They have staked their claim on the market and are prepared to keep customers cool, dry and happy for many years to come.



## Region IV

Region IV, which includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee, experienced continued growth in 7(a) and 504 loan activity, as well as notable increases in federal procurement contracts and numbers of businesses counseled and trained in 2004. The Region has been a leader in

transforming SBA into a 21st century marketing centered organization through innovative workforce development, creative office re-organization and fresh approaches to customer and partner development. Region IV hosted the 2004 National Small Business Exposition and is home to the 2004 National Small Business Person of the year.

Region IV States	Approved 7(a) and 504 loans (millions of dollars) <sup>10</sup>		SBIC financings (millions of dollars) <sup>10</sup>		Federal Procurement contracts (millions of dollars) <sup>11</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>12</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Alabama	98	135	12	30	5,522	6,571	24,168	27,226
Florida	835	970	64	51	8,587	10,016	88,423	68,828
Georgia	485	543	97	98	6,874	4,817	41,618	30,976
Kentucky	89	124	3	17	2,557	3,758	18,056	17,526
Mississippi	152	134	3	9	2,595	2,522	13,737	6,798
North Carolina	204	264	47	38	2,273	3,177	23,126	22,007
South Carolina	117	127	23	16	2,929	3,452	17,326	14,874
Tennessee	130	155	41	50	3,859	5,510	35,798	32,154
Totals	2,110	2,452	290	309	35,196	39,825	272,964	220,389

<sup>10</sup> Data derived from Loan Accounting Tracking System.

<sup>11</sup> Data obtained from Federal Procurement Data System.

<sup>12</sup> SBA Scorecard

## Region IV

### **Birmingham Designer/Printer Provides Creative Solutions for Business**



After several years of long hours and competitive work in the printing trade, Susie Kelley-Johnsey decided in 1997 that she was ready to venture out on her own (thinking that business ownership would give her the chance to slow down a bit). Fate, however, dealt her a different

hand, as her desire to make an impact on the industry and her competitive nature led her and her company, Concept, Inc. along a completely different path. It was during the early growth period that Ms. Kelley decided that adding a partner to her business would be in the company's best interest. Rebecca Graves joined the organization - a partnership of two talents that worked well from the beginning.

However, they had the foresight to realize that they needed guidance in their plan for the business. They started attending seminars and counseling sessions at the Central Alabama Women's Business Center in downtown Birmingham, an organization partly funded by the U. S. Small Business Administration. Working with Trudy Phillips, Executive Director and the 2002 SBA Southeast Region Women in Business Advocate Award Winner, the partners realized how best to utilize their individual talents at the company and began to formulate a direction for future growth. Susie Kelley, with her sales background, now focuses on customer development and the

overall image of the company. Rebecca Graves serves as administrative and finance officer. Ms. Phillips said, "You might say Susie is the face and Rebecca is the backbone of the company."

With the help of the Central Alabama Women's Business Center, these two dynamic leaders have grown Concept, Inc from a single owner/operator company to a sound corporation with nine employees. Once occupying a one-room office, Concept is now housed in a 4,000-square foot facility and has joined the million dollar club in annual sales revenue. Ms. Kelley and Ms. Graves recognize the importance of family and employees and appreciate the contribution both have made to the success of the company. They created a family-like environment from the very beginning, by providing such things as an on-site nursery and corporate membership to the YMCA for employees and their families.

The owners of Concept, Inc. are always concerned with issues that can affect employee productivity, as well as issues that impact the local community. The team at Concept, Inc. is comprised of professionals specializing in advertising, printing, graphic design and Web hosting and development. They are dedicated to saving their clients time and money by providing the highest level of expertise and service, and by helping them create the best possible image through printing and graphics. They believe it is their focus on customization for the client, rather than the pre-packaged fare many other companies offer. Whatever the reason, there is no disputing that Concept, Inc., specializes in reliability and friendly service—a rare commodity in today's fast-paced business atmosphere.

## Region V

**In FY 2004, Region V provided over 161,000 Midwest entrepreneurs with more than \$29 billion in financing.** To date, the Region has surpassed agency goals in numerous areas including 504 and Veteran lending; Government Contracting Matchmaking appointments; District Office Training and Counseling; and District Office Success Stories. SBA's activity in Region

V directly affects the economies of Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin.

As we move forward, Region V will continue to serve as the premier economic development team, empowering entrepreneurs throughout Wisconsin and the industrial Heartland of over 50 million people.

Region V States	Approved 7(a) and 504 loans (millions of dollars) <sup>13</sup>		SBIC financings (millions of dollars) <sup>13</sup>		Federal Procurement contracts (millions of dollars) <sup>14</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>15</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Illinois	454	506	156	122	3,829	4,775	50,377	52,495
Indiana	205	233	6	10	2,439	2,985	27,385	21,091
Michigan	378	471	27	34	3,014	3,389	47,092	29,965
Minnesota	425	467	67	36	1,833	2,046	24,733	23,041
Ohio	417	486	43	38	4,512	5,958	44,560	37,131
Wisconsin	284	392	26	37	1,607	1,745	23,616	19,703
Totals	2,163	2,555	325	277	17,234	20,898	210,721	183,426

<sup>13</sup> Data derived from Loan Accounting Tracking System.

<sup>14</sup> Data obtained from Federal Procurement Data System.

<sup>15</sup> SBA Scorecard Data derived from Loan Accounting Tracking System.

## Region V

### One-Time Small Business Saturn Electronics Uses SBA as Springboard for International Success



Wallace K. Tsuha

Saturn Electronics & Engineering, Inc., one of the largest technology-focused minority business enterprises in the country holding more than 68 U.S. and international patents, was created in 1985 by company Chairman and CEO, Wallace K. Tsuha. In 1986, after being turned down by seven banks, Saturn was approved for a \$200,000 loan from an SBA

Specialized Small Business Investment Company. Also in 1986, the company was approved to participate in the 8(a) program.

In 1987, the company received management counseling through SBA's 7(j) program to implement a required quality system for government contracts. In 1988, Saturn received an 8(a) contract and business development expense fund worth a total of \$1,000,000. Saturn graduated from the 8(a) program in just three years. In 1999, the company's sales had reached \$257 million, with 1,544 employees, and Saturn was named SBA's National Entrepreneurial Success Award winner.

Since then, Saturn's growth has accelerated as it has become a global supplier with over 2,900 employees, nine facilities worldwide and \$400 million in sales. Saturn's growth can be attributed to its dedication to innovative products, high-quality systems and processes, high-quality products and competitive pricing.

## Region VI

Region VI, encompassing a total of 548,698 square miles in Arkansas, Louisiana, New Mexico, Oklahoma and Texas, approved 7(a) loans and from the 504 program for a total of \$ during FY 2004. This represents an increase over

FY 2003 and numerous jobs created or retained in the region. During this same period, over 200,000 small business owners received counseling and training.

Region VI States	Approved 7(a) and 504 loans (millions of dollars) <sup>16</sup>		SBIC financings (millions of dollars) <sup>16</sup>		Federal Procurement contracts (millions of dollars) <sup>17</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>18</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Arkansas	91	109	7	13	973	754	10,601	12,252
Louisiana	115	105	7	11	2,567	3,009	18,295	19,445
New Mexico	85	81	7	10	5,273	5,742	18,985	16,542
Oklahoma	133	159	11	11	2,063	2,164	14,193	15,134
Texas	1176	1,432	131	230	19,212	28,803	139,350	145,552
Totals	1,600	1,777	163	275	30,088	40,472	201,424	208,925

<sup>16</sup> Data derived from Loan Accounting Tracking System.

<sup>17</sup> Data obtained from Federal Procurement Data System.

<sup>18</sup> SBA Scorecard Data derived from Loan Accounting Tracking System.

## Region VI

### Texas Company Touts Their Recycling Programs as Environmental Successes



Bill Hunt

According to city officials, the idea is as old as a pile of rags. Their efforts were simply to recycle old curtains, towels, sheets and other cloth materials to be used again and also to help the environment. These cities entered into a partnership with Texas Ragtime, Inc., a cloth recycling company.

Bill Hunt, President of Texas Ragtime, compares his business to the old ragmen of centuries ago, who used to buy and sell rags. Texas Ragtime, Inc., is a Delaware "C" Corporation, incorporated October 21, 1996. Operations commenced December 12, 1997. The company was started by Arch William Hunt, who currently owns 70.95% of the stock. The company is a tex-

tile recycling plant where purchased used clothing and other fabrics are sorted into over 200 grades and bales and "containerized" for daily shipment to mostly export markets. They also produce industrial wiping cloths from various textile products, utilizing cutting machines and divert some products to sale in the vintage clothing market domestically. This involves sophisticated material handling devices including conveyors, bale presses, sorting platforms and a variety of other equipment.

The company was started with a \$900,000 SBA 7(a) loan. Texas Ragtime was the first company to locate in one of the nation's first turnaround State Superfund sites. The company has 80+ employees and plans to hire additional employees in the future.

In 2003, the company applied for a 504 loan to purchase its own building, which is also located in Athens. The 504 debenture of \$224,000 will allow the company to become a stronger, more profitable company and provide jobs to low to moderate income people.

## Region VII

Region VII surpassed all records during FY 2004. Starting with SBA guarantee loans, Region VII guaranteed loans totaling \$675 million to midwestern small businesses.

In addition to approving thousands of dollars of loans, the office approved provided over \$10 million dollars in contracts and counseled over 83,000 clients. These were substantial increases over prior years.

Region VII States	Approved 7(a) and 504 loans (millions of dollars) <sup>19</sup>		SBIC financings (millions of dollars) <sup>19</sup>		Federal Procurement contracts (millions of dollars) <sup>20</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>21</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Iowa	120	138	5	22	767	941	9,166	25,634
Kansas	109	143	3	4	1,400	1,837	6,803	4,014
Missouri	228	296	16	47	3,766	7,644	32,915	39,007
Nebraska	89	98	<1	2	479	486	21,576	14,687
Totals	546	675	24	75	6,412	10,907	70,659	83,342

<sup>19</sup> Data derived from Loan Accounting Tracking System.

<sup>20</sup> Data obtained from Federal Procurement Data System.

<sup>21</sup> SBA Scorecard

## Region VII

### Day Care Center Transports Children for Families in Need



Barbara Veasley had been in real estate for 15 years, but she developed a yen to go into business for herself. She saw the need for quality day care for children, especially after becoming a grandparent, and in 1998, started working full-time in a building that had formerly housed a day care center.

Veasley's Tender Loving Care Center is licensed for 40 children from infants to 12 years.

She employs five people in the center, four of them full-time. Her husband is her helpmate. He assisted her with financing her initial venture, performs administrative tasks and occasionally drives the van that picks up and delivers children whose parents lack transportation options.

"My initial meeting at the Grace Hill Women's Business Center was with ARCHS, the Area Resource for Community and Human Services, to discuss their request for proposals for day care centers," said Veasley. Then, WBC director Lynette Watson invited me to the Women's Network for Entrepreneurial Training (WNET Roundtable). There, I got an idea about using mail-in cards to advertise and, at a 'Financing Your Business' class, I learned what was really important to my center. I met lenders and, for the first time, was able to take out a small loan to upgrade my facility."

## Region VIII

Region VII, which includes Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming, experienced continued growth in 7(a) and 504 loan activity, as well as notable increases in federal procurement contracts and numbers of businesses counseled and trained in 2004. The Region is the most rural federal region in the nation with over 500,000 square miles of territory and

27 federally recognized Indian reservations. Region VIII has been on the cutting edge of advancing rural economic development policies that will benefit small town America. During FY 2004, Region VIII hosted a number of high profile agency events including the Administrator's Economic Growth Tour in Denver and a number of Women's Economic Development forums in Utah.

Region VIII States	Approved 7(a) and 504 loans (millions of dollars) <sup>22</sup>		SBIC financings (millions of dollars) <sup>22</sup>		Federal Procurement contracts (millions of dollars) <sup>23</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>24</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Colorado	412	485	45	73	4,102	4,810	29,545	22,043
Montana	79	73	1	0	299	450	10,951	8,227
North Dakota	49	79	<1	0	280	360	8,193	7,431
South Dakota	41	50	6	8	335	340	8,495	7,310
Utah <sup>8</sup>	193	251	37	48	1,990	2,590	24,604	23,671
Wyoming	38	42	<1	0	136	182	4,893	5,021
Totals	812	980	89	129	7,142	8,733	86,681	73,703

<sup>22</sup> Data derived from Loan Accounting Tracking System.

<sup>23</sup> Data obtained from Federal Procurement Data System.

<sup>24</sup> SBA Scorecard

## Region VIII Restaurateur Earns Place in District's Wall of Fame



Felipe Duran

Coming to Colorado from Chihuahua, Mexico at age 14, Felipe Duran opened his first Mexican restaurant in 1992. Today, Felipe owns eight very busy and successful restaurants in the Denver Metro area and is committed to maintaining the highest quality and consistency of the food at each location.

Great food equals happy customers—customers that continue to keep coming back, he claims. Felipe definitely has found the right recipe to

providing top quality food at each of his El Senor Sol and Villa Del Sol Restaurants. He prides himself on developing his own style of Mexican food with a flare for old Mexico. Each recipe was developed personally by Felipe in his home kitchen.

With the assistance of several SBA guaranteed loans, Felipe was able to open and expand stores in Lakewood, Denver, Golden and Westminster. In 2003, Felipe Duran was one of 50 small business owners in the state to be inducted into the SBA's Colorado District Office Wall of Fame. The Wall of Fame recognized entrepreneurs that utilized SBA's assistance and opened successful and prominent businesses. With over 200 employees to manage, Felipe realizes that keeping a regular presence at each of his restaurants is critical to their success. "If you do what you like to do, you are going to find success," states Duran.



## Region IX

Region IX, which includes nine district offices and one branch office in California, Nevada, Arizona, Hawaii and Guam, has consistently led the nation in the number of loans processed and the total value of such loans for the past several years. The region expects all FY 2004 goals will be attained for 7(a) loans, Section 504 loans, ED counseling and training. Transformation continues as well and Region IX is at the forefront of change within SBA. The

region put the concept of Alternate Work Sites (AWS) – reaching out to SBA customers beyond the immediate home of district offices – to good use in Arizona and Nevada. Today, all of northern Nevada is served by two district employees working from Reno, while the Arizona district office opened AWS locations in Tucson to serve the southern part of the state and in Show Low for the northern area.

Region IX States	Approved 7(a) and 504 loans (millions of dollars) <sup>25</sup>		SBIC financings (millions of dollars) <sup>25</sup>		Federal Procurement contracts (millions of dollars) <sup>26</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>27</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Arizona	466	580	16	29	6,972	8,330	35,681	35,287
California	3076	3,755	411	609	32,031	35,344	186,958	177,485
Hawaii	45	52	<1	0	1,543	1,933	20,216	19,988
Nevada	143	202	1	5	1,155	1,386	12,141	11,690
Totals	3,730	4,589	428	643	41,701	46,992	254,996	244,450

<sup>25</sup> Data derived from Loan Accounting Tracking System.

<sup>26</sup> Data obtained from Federal Procurement Data System.

<sup>27</sup> SBA Scorecard Data derived from Loan Accounting Tracking System.

## Region IX Linen Business Takes Off Through SCORE



Youngsong Martin

Youngsong Martin, founder and president of Fountain Valley-based Wildflower Linen, developed the linen rental company after working for years as a designer of her own nationally marketed line of ready-to-wear women's apparel. Wildflower Linen offers a vast inventory of custom-designed table coverings, chair covers and napkins for banquets and other

special events, including wedding receptions and corporate functions. Her customers include luxurious hotels

nationwide, as well as local country clubs, event planners, charter yachts and entertainment industry hosts of Academy Awards and Golden Globe Awards parties. Weddings represent about half of her business volume.

Youngsong grew up in South Korea. After immigrating to the United States, she attended the Fashion Institute of Design and Merchandising in San Francisco began her design career, before starting her business. Wildflower Linen experienced growing pains during its first few years. In early 2003, Youngsong came to SCORE and met with several of the veteran business executives who serve as SCORE counselors. They provided her with much-needed financial planning and marketing strategies. As a result of Youngsong's efforts and SCORE counseling, Wildflower Linen's 2004 revenues for the first six months of 2004 rose 73 percent.

## Region X

During FY 2004, \$708.5 million were pumped into the Pacific Northwest and Alaska economy by SBA Region X. Perhaps more significant than loans, over 21,470 jobs were created and retained as a direct result of those loans. Additionally, regional loan records for African Americans, Hispanics, Asians, Native American, Women and Vets show loan dollars totaling \$1,795 million. Furthermore, prospective and/or established small

business owners received counseling and training from SBA and its resource partners throughout the region during this fiscal year. All of this was achieved as a result of Region X exceeding last year's number for 7(a) loans and exceeding the Sec. 504 loans and ED counseling and training for FY 2004. In total, Region X approved 3,250 7(a) loans and 397 Sec. 504 loans compared to their goal of 4,023 7(a) loans and 345 Sec. 504 loans.

Region X States	Approved 7(a) and 504 loans (millions of dollars) <sup>28</sup>		SBIC financings (millions of dollars) <sup>28</sup>		Federal Procurement contracts (millions of dollars) <sup>29</sup>		Clients counseled/trained in SBDC, SCORE, WBC, BIC <sup>30</sup>	
	FY 2003	FY 2004	FY 2003	FY 2004	FY 2002	FY 2003	FY 2003	FY 2004
Alaska	24	26	<1	0	1,322	1,627	5,399	4,441
Idaho	99	135	<1	1	1,269	1,481	9,075	9,640
Oregon	189	236	21	36	828	1,046	38,320	32,765
Washington	401	429	70	47	5,129	3,341	36,465	39,640

<sup>28</sup> Data derived from Loan Accounting Tracking System.

<sup>29</sup> Data obtained from Federal Procurement Data System.

<sup>30</sup> SBA Scorecard \* Data derived from Loan Accounting Tracking System.

## Region X Battling Stereotypes, Small Business Owner Blazes Trail for Others



Karen Say

As a young girl, Karen Say would accompany her father to "the office," a construction yard where he was a fleet mechanic. At 19, she started with a construction firm as a receptionist, moving quickly to an administrative position and then into accounting. When she was 24, Say approached her supervisor for a promotion; she wanted to become an estimator. Karen, along with the three employees who became fellow stakeholders in the company, started Saybr Contractors, Inc., a general construction contracting company specializing in commercial and industrial fueling projects.

Approximately four years after Saybr's inception, Karen saw the need to branch out from the petroleum industry into the general contracting construction industry. Attempting to break into the industry was difficult, however, and Say turned to the U.S. Small Business Administration for assistance, becoming 8(a) certified in 2001.

"It was at this stage that SBA became an indispensable resource to me," Karen said. "They provided tremendous expertise in running my business and exposed me to a number of other minority and woman-owned businesses with whom I have developed strong relationships. From my dad instilling me with a strong work ethic, to my supervisors giving me a chance, to the SBA providing fantastic support and encouragement, I really am indebted to those who have allowed me to fulfill my goal of being a successful woman-owned construction company."

In July, Say was named the Minority Small Business Person of the Year for Region X, which is comprised of the states of Washington, Oregon, Idaho and Alaska.

## APPENDIX 2

# SELECTED FY2004 OFFICE OF INSPECTOR GENERAL (OIG) AUDITS AND REPORTS

The following is a compilation of summaries of selected Office of Inspector General (OIG) reports published in FY2004 as they relate to SBA's long term

strategic objectives. These reports can be found at <http://www.sba.gov/ig/igreadingroom.html>

U.S. SMALL BUSINESS ADMINISTRATION <b>Results and Budgetary Resources</b>			
<i>Strategic Goal 1. Improve the economic environment for small businesses.</i>			
<i>Long-Term Objective 1.6: Increase the opportunities for small businesses to receive open and fair access to Federal contracts.</i>			
Selected OIG Reports Published in FY2004			
Number	Issue Date	Title	Crosswalk to SBA Long Term Objectives
20-Apr	18-May-04	Small Business Set-Aside Contract to Measurement Instruments, Inc.	1.6
Apr-37	8/11/04	Memo Report-Risk Management	2.1 & 2.2
21-Apr		The SBIC Program At Significant Risk for Losses Report	2.1 & 4.3
5-Apr	30-Dec-03	SBA's Federal and State Technology Partnership (FAST) Program	2.2
3-Apr	17-Dec-03	Cosponsorship Activities—Los Angeles District Office	2.3
7-Apr	20-Jan-04	Audit of Puerto Rico & U.S. VI District Office Cosponsored and SBA-Sponsored Activities	2.3
15-Apr	9-Mar-04	SACS/MEDCOR: Ineffective and Inefficient	2.3
22-Apr	1-Jun-04	Survey of Business Development Provided by the 8(a) Business Development Program	2.3
Apr-31	7/19/04	Latino Coalition	2.3
Apr-44	9/24/04	Summary Audit of SBA Sponsored Events.	2.3
14-Apr	2-Mar-04	Enforcement of SBA's IT-EA During the DCMS Project	3.1 & 4.4
16-Apr	17-Mar-04	SBA's Administration of the Procurement Activities of Asset Sale Due Diligence Contracts and Task Orders	4.1
Apr-39	8/31/04	Advisory Rpt-Herndon Purchase Center	4.1
9-Apr	26-Jan-04	Review of SBA Purchase Cards	4.3
10-Apr	30-Jan-04	Audit of SBA's FY2003 Financial Statements	4.3
11-Apr	3-Feb-04	Agreed -upon Procedures Report on SBA's Federal Agencies' Centralized Trial-Balance System (FACTS) Data	4.3
17-Apr	23-Mar-04	Audit of SBA's FY2003 Financial Statements Management Letter	4.3
18-Apr	5-Apr-04	SBA's Loan Application Tracking System	4.3
Apr-34	7/29/04	Audit of SBA's Process for Complying with the Federal Managers Financial Integrity Act Reporting Requirements	4.3
19-Apr	29-Apr-04	Information System Controls for FY2003	4.4
Apr-41	9/10/04	Audit of SBA General Support Systems	4.4

#### **OIG Report 4–20. Small Business Set-Aside Contract to Measurement Instruments, Inc.**

On May 18, 2004, the OIG issued a final audit report on a small business set-aside contract. The audit objective was to determine whether the small business qualified for a small business set-aside contract with the U.S. Air Force. The small business was ineligible to receive the small business set-aside contract as a small business non-manufacturing reseller, since it supplied a product considered to be from a large business. According to 13 CFR, in order for a company to be a small business non-manufacturing reseller, it must, among other things, supply the end items of a small business manufacturer or processor made in the United States. The small business supplied the product of a manufacturer that, in this case, was considered to be a large business because of the manufacturer's affiliation with a large business. We made two recommendations to the Associate Deputy Administrator for Government Contracting and Business Development (ADA/GC&BD) to: 1) advise the procuring agency that the contract should not be counted as a small business award; and 2) provide guidance to SBA Size Determination officials to increase awareness of the need to include consideration of affiliation issues. The ADA/GC&BD agreed with both recommendations.

#### ***SBA Long-Term Objective 2.1. Increase the positive impact of SBA assistance upon the number and success of small business start-ups.***

#### **OIG Report 4–21. The SBIC Program at Significant Risk for Losses Report**

On May 24, 2004, the OIG issued a new management challenge on the Small Business Investment Company (SBIC) program under the report title *The SBIC Program: At Risk for Significant Losses*. One of the most important challenges facing the SBA today is that the current structure and oversight practices of the SBIC program place too much risk on taxpayer money. This report provides a concise statement of the problems that have been identified in past General Accounting Office and OIG reports, and in the Program Assessment Rating Tool (PART) assessment recently released by the Office of Management and Budget.

SBIC program officials estimate that, given the rapidly mounting losses in the portfolio, the cumulative cost of the program to the Federal Government on September 30, 2004 will be almost \$2 billion on an outstanding portfolio of \$5 billion. Problem areas related to program structure and oversight include: 1) SBA's "profits" are not proportional to the investment that the agency makes in SBICs; 2) insufficient incentives exist to encourage SBICs to repay principal debt to SBA as quickly as possible; 3) SBA's policy of allowing extensive time for financially troubled SBICs to attempt rehabilitation has allowed SBIC assets to decrease and has reduced SBA's potential for recovery; and 4) the vast majority of capitally impaired participating securities SBICs that have been transferred to liquidation were not being liquidated or were not being liquidated in compliance with agency procedures. In addition, the subsidy model underestimates the cost of the program, with the technical assumptions more optimistic than actual performance. According to program officials, actions are being taken that will strengthen the assessment and management of financial and regulatory risks inherent in the program. To improve the program's ability to limit risk and prevent major avoidable program losses, officials should pursue legislative reforms and act in a timely manner in dealing with and liquidating capitally-impaired SBICs. In accordance with the Reports Consolidation Act of 2000, this challenge will be incorporated with other Agency challenges in our Report on the Most Serious Management Challenges Facing the Small Business Administration in Fiscal Year (FY) 2005. The complete FY2005 report will be included in SBA's annual Performance and Accountability Report this fall.

#### **OIG Report 4–37. Memo Report-Risk Management**

On August 11, 2004, the OIG issued a final report on a Survey of Risk Management by Industry Code. At the time of our review, SBA did not have procedures in place to routinely identify and control the level of financial risk by industry code. SBA personnel could not provide evidence that they routinely identified and analyzed financial risk by industrial code. Analyzing dollars at risk by industry codes is an appropriate tool that SBA should use to identify trends and potential problem areas deserving management's review. Subsequent to the start of our review, the Office of Lender Oversight (OLO) incorpo-

rated industry code analysis in its oversight activities. A monthly portfolio analysis report is prepared with tables and charts of data by industry groups and includes data on concentrations and performance metrics by industry. Also, the redesigned risk-based review process for on-site examinations includes an analysis of industry concentrations in the lender's portfolio.

***SBA Long-Term Objective 2.2.  
Maximize the sustainability and growth  
of existing small businesses assisted by  
SBA.***

**OIG Report 4–05. SBA's Federal and State Technology Partnership**

December 30, 2003, the OIG issued a statutorily mandated report on SBA's Federal and State Technology Partnership (FAST) program. The purpose of the FAST program is to strengthen the technological competitiveness of small business concerns in the States by ensuring their participation in Federal research and development. The inspection report assessed the extent to which recipients under the FAST program have developed and are utilizing effective performance indicators by which to measure the results of their program activities. Observations were also made regarding the overall management and effectiveness of the FAST program. The OIG recommended that SBA refine its guidance to program participants regarding developing performance measures and take the lead in an effort to establish a core set of measures. We also recommended that SBA vigorously enforce its reporting requirements and take action against grantees who do not comply. The Agency agreed with all of OIG's recommendations.

**OIG Report 4–37. Memo Report-Risk Management**  
*See write-up above.*

***SBA Long-Term Objective 2.3.  
Significantly increase successful small  
business ownership within segments of  
society facing competitive opportunity  
gaps.***

**OIG Report 4–03. Cosponsorship Activities – Los Angeles District Office**

On December 17, 2003, the OIG issued an audit report on Cosponsorship Activities–Los Angeles District Office. Nine district cosponsored events conducted between January 2000, and November 2002, were reviewed. The OIG concluded that the events were not planned and conducted in accordance with Federal laws and SBA policies and procedures. Cosponsorships are to be planned such that they do not generate a profit. If profits occur, they are to be applied to similar events or returned to donors. The cosponsors inappropriately accumulated \$248,000 in profits from cosponsored events, and used \$121,000 for activities unrelated to the events, and received \$7,500 from prohibited sources. In addition, gift funds totaling \$122,500 were solicited by district office employees in support of cosponsored activity from donors whose participation could result in a potential conflict of interest. The report contained five recommendations to the Associate Administrator for Field Operations.

**OIG Report 4–07. Audit of Puerto Rico & U.S. VI District Office Cosponsorship and SBA-Sponsored Activities**

On January 20, 2004, the OIG issued a final report, "Audit of Puerto Rico & Virgin Island District Office (PRVIDO) Cosponsored and SBA-Sponsored Activities." The object of the audit was to determine whether the district operated in compliance with SBA policies and procedures and Federal law concerning SBA-sponsored and co-sponsored activities. The OIG determined that the district's cosponsored activities and its Business Resource Center (BRC) were not operating in compliance with SBA policies and procedures and Federal law. We identified problems with the: approval and preparation of cosponsorship agreements for the district and the BRC; solicitation, accep-



tance, and disposition of gift funds; manner in which fees were charged; use of cosponsor contributions and planned use of Economy Act funds; procurement activities of the district and BRC; counseling services provided at the BRC; and record keeping, reporting, and asset accountability of the district and BRC. The aforementioned conditions occurred because:

(a) district office personnel did not follow existing guidance; (b) there was insufficient oversight by regional and headquarters personnel; and (c) formal operating procedures did not thoroughly address cosponsorship operations and funds management. We provided 11 recommendations to the Associate Administrator for Field Operations and the Associate Administrator for Strategic Alliances, addressing: funds solicitation, acceptance, use, and disposition; procurement requirements; fee charging; the return of unused Economy Act funds; BRC counseling activity; and timely reporting by the district. The Associate Administrators agreed with two recommendations, disagreed with two, and neither agreed nor disagreed with seven. In addition, SBA management stated that the report's language needed clarification, and that some issues had insufficient details to know if the conclusions were warranted. As a result of management's comments, portions of the report were modified or deleted. The disagreements and responses that were neither agreements nor disagreements will be addressed during the audit report resolution process.

#### **OIG Audit 4–15. SACS/MEDCOR: Ineffective and Inefficient**

On March 9, 2004, the Inspection & Evaluation Division published its report, SACS/MEDCOR: Ineffective and Inefficient. The report focused on the Section 8(a) Business Development (BD) Program's primary database, SACS/MEDCOR, and its history of documented problems: 1) data are often missing, not up to date and inaccurate; 2) SACS/MEDCOR does not contain much of the information needed for the annual report to Congress; 3) SACS/MEDCOR's reporting capability is poor; and 4) SACS/MEDCOR cannot be used to manage the 8(a) BD Program. Taken as a whole, SACS/MEDCOR is an ineffective and inefficient program management tool. To effectively manage and assess the effectiveness of the 8(a) BD Program, the SBA needs quality data and a system

that will: 1) make data easily available to all staff; 2) track, monitor and evaluate firms' progress, thereby supporting management reporting and analysis; and 3) facilitate the dissemination of SBA products to stakeholders. The report recommended that the Office of Government Contracting and Business Development (GC&BD) analyze its business processes to determine specific data needs to support and manage the program. The report also recommended that GC&BD, in conjunction with the OCIO: 1) design, develop, and implement a management information system that will support the program mission and objectives; 2) provide useful information for the Agency and its stakeholders; and 3) enable the Agency to measure program results. GC&BD agreed with OIG's findings and recommendations and is already taking steps to implement the recommendations.

#### **OIG Report 4–22. Survey of Business Development Provided by the 8(a) Business Development Program**

OIG issued an audit survey of the Business Development Provided by the 8(a) Business Development Program on June 2, 2004. The objectives of the audit survey were to (1) determine the nature and extent of business development services being provided to program participants and (2) follow up on past audit recommendations related to the 8(a) program. Based on the results of the audit survey, OIG determined that a full audit of the 8(a) program's business development activities is not warranted at this time because SBA has not established criteria for delivering and measuring business development services. The survey found that SBA's district offices and resource partners provided various types of business development assistance to 8(a) firms, but the effort was neither tracked nor strategically managed. OIG made two recommendations in the report. The Acting Associate Administrator for Business Development agreed with the report and discussed actions and timeframes for implementing the two recommendations.

#### **OIG Report 4–31. Latino Coalition**

On July 19, 2004, SBA OIG issued a final report on the expenses for meals and refreshments incurred by the Latino Coalition Foundation on SBA 7(j) Cooperative Agreement SBAHQ-02-J-0021. The audit disclosed that \$1,001.80 in unallowable costs was spent on alcoholic



beverage service at a welcome reception. Improvements are needed when awarding and administering 7(j) cooperative agreements as SBA did not always adequately determine whether expenses were allowable and reasonable. For example, it could be argued that it was not reasonable for SBA to reimburse the Coalition approximately \$100 per person for a dinner based on a billing estimate anticipating 150 guests. The OIG made two recommendations to the Assistant Administrator for Administration to correct the deficiencies identified in the report, including recovery of the unallowable costs. The Assistant Administrator agreed with both recommendations.

#### **OIG Report 4-44. Summary Audit of SBA Sponsored Events**

On September 24, 2004, the OIG issued a summary audit report of SBA Sponsored and Cosponsored Events Conducted by District Offices. The audit disclosed that, for 16 SBA sponsored and 33 cosponsored events held between May 1999 and November 2002, nine district offices did not operate in compliance with Federal laws and SBA policies and procedures. The audit disclosed the following areas of noncompliance: 1) soliciting and accepting gifts and fees; 2) planning, conducting, and reporting events; and 3) maintaining accountability for funds and non-cash assets. The following causes were noted: 1) failure of field office personnel to follow existing guidance;

2) inadequate and nonexistent guidance; and 3) insufficient oversight by Headquarters and regional personnel. As a result, SBA personnel operated in violation of Federal laws and SBA requirements. The OIG recommended that the Associate Administrator for Office of Strategic Alliances: 1) develop a training program for district office employees who will be involved in SBA sponsored and cosponsored events; 2) develop standard

operating procedures (SOP), in coordination with OGC, addressing all aspects of SBA sponsored events; and 3) revise SOP 90 75 2. The OIG also recommend that the Associate Administrator for Office of Field Operations: 1) ensure that district office personnel receive appropriate training before planning, conducting, and managing funds related to SBA sponsored and cosponsored events, and 2) require that regional office personnel periodically review district office files of events for completeness and compliance. SBA officials agreed with five of the recommendations and partially agreed with two. Regarding the recommendations with which it partially agreed, SBA indicated that it would clarify existing procedures.

#### ***SBA Long-Term Objective 3.1. Maximize the timely restoration of businesses and homes following disaster.***

#### **OIG Report 4-14. Enforcement of SBA's IT-EA During the DCMS Project**

On March 2, 2004, the OIG issued an audit report on the Enforcement of SBA's Information Technology Enterprise Architecture during the development of the Disaster Credit Management System (DCMS). The objective of the audit was to determine if SBA's implementation of the DCMS provided adequate safeguards, controls, and testing before being placed into a production status, and if the DCMS complied with overall objectives of the SBA Information Technology Enterprise Architecture. The audit disclosed that SBA had not adequately enforced its Enterprise Architecture during the development of DCMS and made two recommendations to correct the deficiencies. The Chief Information Officer (CIO) agreed with the recommendations.

***SBA Long-Term Objective 4.1.  
SBA's general planning and management will result in clearly defined goals and effective strategies, and the coordination of operational support, so as to maximize the Agency's mission performance through a comprehensive performance management system.***

**OIG Report 4-16. SBA's Administration of the procurement Activities of Asset Sale Due Diligence Contracts and Task Orders**

On March 17, 2004, the OIG issued an audit report on SBA's Administration of the Procurement Activities of Asset Sale Due Diligence Contracts and Task Orders. The audit found that procurement practices for SBA's asset sale due diligence contracts and task orders that were "set-aside" for small businesses did not benefit small businesses, as provided for in SBA's regulations. The SBA did not: 1) ensure that small business regulations on subcontracting were complied with and, in at least two of the seven awards, the "50 percent" rule was violated; 2) question an improper teaming arrangement; and 3) support its intent to make due diligence awards to small, 8(a) businesses for one due diligence task order. In addition, SBA solicited only one company for a due diligence task order in violation of regulations. The audit also found that SBA did not: 1) ensure contractors received impartial, fair and equitable treatment; 2) conduct discussions with offerors when necessary; 3) perform and document acquisition planning and monitoring in accordance with requirements; 4) always comply with other procurement policies and procedures; 5) properly report contracts and task orders to the Federal Procurement Data System; 6) follow the required procedures in handling Freedom of Information Act requests; and 7) ensure revised procedures were issued when its existing Standard Operating Procedure became outdated. Additionally, our audit found that the General Services Administration's evaluations and determinations for responsibility of the due diligence contractors were unreliable and that SBA was overcharged by three of its contractors. As a result, we made 30 recommendations to correct the identified procurement and other contract administration deficiencies,

and questioned \$1,690,838 in overcharges to SBA. The Assistant Administrator for Administration generally disagreed with the findings and recommendations addressed to him. The Acting Associate Administrator for Government Contracting and the Acting Assistant Administrator for Policy, Planning and Liaison generally agreed with the findings and recommendations addressed to them. The Acting Assistant Administrator for Portfolio Management and the Assistant Administrator for Hearings and Appeals generally agreed with the recommendations addressed to them. The Chief Financial Officer (CFO) agreed with one of the recommendations addressed to him and requested that the wording of the other recommendation be revised.

**OIG Report 4-39. Advisory Rpt-Herndon Purchase Center**

On August 31, 2004, the OIG issued a management advisory report on a review of the transfer of operations to the National Guaranty Purchase Center (Center). The review found that the Center was established without a thorough analysis of how best to accomplish centralization (including staffing, control, and accountability of files) of guaranty purchase and liquidation actions. Further, the OIG found that production reports were inadequate and unverifiable. Other areas of concern were noted, including the lack of a Center representative on the Center's Oversight Council and a questionable practice of recording lender purchase request withdrawals as "paid in full" in the Loan Accounting System. OIG made 11 recommendations to correct the identified staffing, file control, and reporting deficiencies, as well as the other noted areas of concern. The Associate Deputy Administrator for Capital Access (ADA/CA) and the Chief Operating Officer (COO) provided responses to the draft report. The ADA/CA took exception with some of the specific conclusions in the report, but agreed with six of the nine recommendations addressed to him. The ADA/CA did not provide evidence to support his positions and, accordingly, only minor modifications were made to the report. Based on the ADA/CA's comments, OIG revised two recommendations. The ADA/CA's response to the other recommendation was unsupported and accordingly, the recommendation remained unchanged. The COO concurred with the recommendation addressed to him.

***SBA Long-Term Objective 4.3.  
Financial management systems will  
support both SBA strategic management  
and financial accountability by  
providing financial information  
that is useful, relevant, timely and  
accurate and which assists SBA in  
maximizing program performance and  
accountability.***

**OIG Report 4–09. Review of SBA Purchase Cards**

On January 26, 2004, the OIG issued an audit on the “Review of SBA Purchase Cards.” The objective of the audit was to determine if SBA purchase card holders made any improper or potentially fraudulent purchases. The audit identified five purchases over \$2,500 that did not comply with terms of the Federal Acquisition Regulation (FAR). These purchases were split into multiple charges to keep each charge under the \$2,500 micro-purchase threshold, thus circumventing FAR requirements to set aside acquisitions over \$2,500 for competition among small businesses. Additionally, the auditors found several weaknesses in the program’s internal controls. Forty-two requisition forms were unsigned by the approving official, more than half of the cardholder statements examined did not have the approving official’s certification, and four cardholder accounts remained open after the cardholders separated from service with SBA. The audit did not find any purchases made after these employees separated. Lastly, the auditors didn’t find any fraudulent transactions. The OIG made two recommendations to the Director, Office of Procurement and Grants Management, to correct the deficiencies identified in the report. The Director agreed with both recommendations.

**OIG Report 4–10. Audit of SBA’s FY2003 Financial Statements**

The OIG Issues Audit Report on SBA’s FY2003 Financial Statements. On January 30, 2004, the OIG issued Cotton and Company’s Audit Report for SBA’s FY2003 Financial Statements, which disclaimed an opinion on both the FY2003 financial statements and the restated FY2002 financial statements. The auditors noted that the scope of their examination was limited because SBA was late

in completing development and testing of certain credit program subsidy models, completing its credit program subsidy reestimates, and preparing its financial statements. As a result, the auditors were unable to apply all necessary auditing procedures or dispose of reservations identified during their work, which prevented them from expressing an opinion on the financial statements.

The audit disclosed three reportable conditions, two of which the auditors deemed to be material weaknesses. The two material weaknesses noted by the auditors were in the following areas: (1) SBA’s credit reform controls, (2) SBA’s financial management and reporting controls. The remaining reportable condition was SBA’s information system controls continue to contain areas for improvement. In addition, the auditors disclosed that SBA was not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) because (1) SBA’s financial management systems did not substantially comply with FFMIA, (2) SBA is not in substantial compliance with Federal accounting standards, and (3) SBA is not in substantial compliance with the United States Standard General Ledger at the transaction level. The auditors also noted instances of noncompliance with the Prompt Pay Act and noted limitations on the scope of their examination which prevented them from completing their testing of SBA’s compliance with the Antideficiency Act. In response to the report, the Chief Financial Officer generally agreed with the auditor’s findings and recommendations. He acknowledged that SBA did not meet key milestone dates for completing its budgeting and accounting work for certain credit programs and preparing its financial statements. He further acknowledged that he accepts responsibility for not providing sufficient time for the auditor to complete its work.

**OIG Report 4–11. Agreed-Upon Procedures Report on SBA’s Federal Agencies’ Centralized Trial-Balance System (FACTS) Data**

On February 3, 2004, the OIG issued Cotton & Company’s Agreed-upon Procedures Report on SBA’s Federal Agencies’ Centralized Trial-Balance System (FACTS). As part of SBA’s annual financial statement audit, OIG’s independent auditor, Cotton & Company, performed agreed-upon procedures to determine if SBA’s summa-

rized FACTS data is consistent with its FY2003 financial statements. The following findings were noted: twenty two differences between amounts in SBA's financial statements and footnotes and amounts presented for FACTS I resulting from rounding; one difference between the amount in SBA's financial statements and the amount presented for FACTS I reporting resulting from a formula error; four differences between amounts in SBA's financial statements and amounts presented for FACTS I reporting resulting from a difference in data presentation; six items designated as differences on the FACTS I reporting schedules not containing explanations for the differences; three differences between FACTS I notes and amounts included in SBA's audited financial statements and notes resulting from incorrect data entry; and six insufficient explanations for items identified as differences between FACTS I notes and amounts included in the notes to SBA's audited financial statements. The report is intended solely for the use of the Department of Treasury's Financial Management Service, Office of Management and Budget, and General Accounting Office, and does not contain any recommendations.

#### **OIG Report 4-17. Audit of SBA's FY2003 Financial Statements Management Letter**

On March 23, 2004, OIG issued a management letter communicating "non-reportable conditions" to SBA management that came to the attention of Cotton & Company during their audit of SBA's FY2003 financial statements. The following areas, which were reported last year, were repeated because the conditions, as well as the need for implementing enhanced controls, continue to exist: 1) foreclosed property records and valuation; 2) lack of allotment details in the general ledger; 3) other areas for improvement, administrative costs and accountable property; 4) non-fiduciary intra-governmental reconciliations; and 5) funds control over administrative costs. The management letter also noted new items or weaknesses in the areas of: 1) disaster area office travel authorizations; 2) the disaster area office centrally billed accounts; 3) loan servicing center shipping costs; 4) valuation of interest receivable balances for financial reporting; 5) surety bond guarantee liability estimate documentation; 6) modification adjustment transfer entries for loan guarantee programs; 7) completeness of performance data

reporting; 8) recording of Master Reserve Fund (MRF) cash held outside of Treasury; 9) inappropriate augmentation of appropriations involving methods of payment of contractors; 10) documentation of the disaster loan subsidy re-estimate model; and 11) documentation of the secondary market guarantee model. The CFO generally agreed with the findings and recommendations. The SBA's General Counsel is reviewing the finding relating to augmentation of appropriations for Fiscal and Transfer Agent interest and PLP contractor reviews before action is taken on related recommendations.

#### **OIG Report 4-18. SBA's Loan Application Tracking System**

On April 5, 2004, the OIG issued an audit report on SBA's Loan Application Tracking System (LATS). The objective of the audit was to perform an application control review using the Federal Information Systems Controls Audit Manual (FISCAM) on the LATS, a subsystem of the Loan Accounting System (LAS), in the following areas: authorization controls; completeness controls; accuracy controls; and controls over integrity of processing and data files. The audit disclosed that SBA's LATS system generally had adequate application controls. However, LATS transactions were not secure from unauthorized access in that controls could be circumvented if the computer was not physically secure. Additionally, the LAS was not properly owned and did not have changes controlled through a Configuration Control Board (CCB). We made three recommendations to correct the control weaknesses identified in the report. The Chief Operating Officer/Chief Information Officer and the Chief Financial Officer agreed with the recommendations.

#### **OIG Report 4-21. The SBIC Program At Significant Risk for Losses Report**

On May 24, 2004, the OIG issued a new management challenge on the Small Business Investment Company (SBIC) program under the report title The SBIC Program: At Risk for Significant Losses. One of the most important challenges facing the SBA today is that the current structure and oversight practices of the SBIC program place too much risk on taxpayer money. This report provides a concise statement of the problems that have been identified in past General Accounting Office and OIG reports, and



in the Program Assessment Rating Tool (PART) assessment recently released by the Office of Management and Budget.

SBIC program officials estimate that, given the rapidly mounting losses in the portfolio, the cumulative cost of the program to the Federal Government will be almost \$2 billion on an outstanding portfolio of \$5 billion. Problem areas related to program structure and oversight include: 1) SBA's "profits" are not proportional to the investment that the agency makes in SBICs; 2) insufficient incentives exist to encourage SBICs to pay back principal debt to SBA as quickly as possible; 3) SBA's policy of allowing extensive time for financially troubled SBICs to attempt rehabilitation has allowed SBIC assets to decrease and has reduced SBA's potential for recovery; and 4) capably-impaired participating securities SBICs that have been transferred to liquidation are not being liquidated. In addition, the subsidy model underestimates the cost of the program, with the technical assumptions more optimistic than actual performance. According to program officials, actions are being taken that will strengthen the assessment and management of financial and regulatory risks inherent in the program. To improve the program's ability to limit risk and prevent major avoidable program losses, officials should pursue legislative reforms and act in a timely manner in dealing with and liquidating capably-impaired SBICs. In accordance with the Reports Consolidation Act of 2000, this challenge will be incorporated with other Agency challenges in our Report on the Most Serious Management Challenges Facing the Small Business Administration in Fiscal Year (FY) 2005. The complete FY2005 report will be included in SBA's annual Performance and Accountability Report this fall.

#### **OIG Report 4-34. Audit of SBA's Process for Complying with the Federal Managers' Financial Integrity Act Reporting Requirements**

On July 29, 2004, OIG issued an audit report on SBA's Process for Complying with the FMFIA Reporting Requirements in Fiscal Years 2002 and 2003. The audit disclosed that SBA did not establish and maintain an effective process for ensuring SBA's compliance with FMFIA's annual internal control assessment and reporting requirements. The audit disclosed the following findings: 1) SBA did not effectively communicate its FMFIA assessing and reporting requirements; 2) SBA's policies and

procedures regarding internal control assessments were not sufficient; 3) Management did not perform complete risk assessments of their respective offices in accordance with regulations; 4) Office of the Chief Financial Officer (OCFO) needed to take a more active role in monitoring the FMFIA reporting process; and 5) SBA's FY2002 Performance and Accountability Report regarding the Agency's internal control process contained inaccurate information. The report concluded that SBA had a potential material weakness related to its FMFIA internal control assessment and reporting process. OIG made 11 recommendations to correct the identified FMFIA reporting compliance deficiencies.

#### ***SBA Long-Term Objective 4.4. Information and related technology will be managed effectively and securely through SBA leveraging data and systems to support program execution and promote cost efficiency.***

#### **OIG Report 4-14. Enforcement of SBA's IT-EA During the DCMS Project**

On March 2, 2004, the OIG issued an audit report on the Enforcement of SBA's Information Technology Enterprise Architecture during the development of the Disaster Credit Management System (DCMS). The objective of the audit was to determine if SBA's implementation of the DCMS provided adequate safeguards, controls, and testing before being placed into a production status, and if the DCMS complied with overall objectives of the SBA Information Technology Enterprise Architecture. The audit disclosed that SBA had not adequately enforced its Enterprise Architecture during the development of DCMS and made two recommendations to correct the deficiencies. The Chief Information Officer (CIO) agreed with the recommendations.

#### **OIG Report 4-19. Information Systems Controls for FY2003**

On April 29, 1994, the OIG issued an audit report on SBA's Information Systems Controls - FY2003, prepared by Cotton & Company LLC. As part of the annual financial statement audit, the auditors reviewed general and application controls over SBA's financial management

systems to determine compliance with various Federal requirements. The auditors concluded again, as they did for FY2002, that SBA made progress toward implementing an agency-wide systems security program, but that improvements are still needed. The report describes areas where controls can be strengthened in general control areas, including: 1) entity-wide security program controls; 2) access controls; 3) application software development and program change controls; 4) system software controls; 5) segregation of duty controls; and 6) service continuity controls. The Chief Operating Officer/Chief Information Officer and the Chief Financial Officer provided separate responses to the draft report. SBA management agreed with 16 of the 17 recommendations and partially agreed with the remaining recommendation.

#### **OIG Reports 4-41 & 4-42. Audit of SBA General Support Systems and Email Systems**

On September 10, 2004, the OIG issued two reports prepared by its contract auditors on SBA's Support Systems. Both reviews utilized National Institute of Standards and Technology and National Security Agency (NSA) guidelines for configuring general support systems. In the reports, the auditors determined that SBA's Exchange Email System, UNIX servers, firewalls and routers did not follow a standard system configuration. Additionally, the auditors determined that SBA's email system was vulnerable to possible security exploits that could compromise the email system. The findings were issued to the Chief Information Officer (CIO) under limited distribution. The CIO/Office of Chief Operating Officer was in general agreement with the findings. Actions to address the finding and recommendations will be evaluated during the audit resolution process.



## APPENDIX 3 OIG AUDIT FOLLOW-UP

### DETAIL OF FINAL ACTION ACTIVITY

#### **Disallowed / Questioned Costs**

##### **Report #0–29, Minority Business Enterprise Legal Defense and Education Fund (MBELDEF)**

*Summary:* The audit objectives were to determine whether the payments made to MBELDEF for services related to the cosponsorship were justified, to determine MBELDEF's compliance with the terms of the cosponsorship agreement and determine whether MBELDEF properly accounted for the fee income it collected. The audit recommended that Government Contracting and Minority Enterprise Development require MBELDEF to reimburse SBA \$121,394.0 for unsupported expenses, duplicate payments, unrelated expenses and for claimed expenses not incurred.

*Final Action:* \$24,000.0 collected/\$97,394.0 written off

##### **Report #3–31, Early Defaulted Loan To A&S Business, Inc.**

*Summary:* The audit objective was to determine if the lender and borrower materially complied with SBA's requirements when originating, closing and liquidating the loan. The audit recommended SBA seek recovery of \$225,324.0 from a lender, less any subsequent recoveries for the loan. The district office negotiated a 50% repair of the guaranty in return for the lender releasing SBA from liability of \$153,000.0 for a related loan.

*Final Action:* \$107,937.0 collected / \$117,387.0 written off

##### **Report #3–35, National Women's Business Council**

*Summary:* The audit objective was to determine if whether the National Women's Business Council (NWBC) expenditures and activities were appropriate and complied with laws and regulations. The audit recommended the current Executive Director determine whether SBA should seek recovery for the awards made to the Executive Director and NWBC staff that were

improperly approved. If the determination was that SBA should seek recovery, ensure the Chief Financial Officer recover the funds.

*Final Action:* \$0.0 collected / \$0.0 written off

##### **Report #4–01, Early Defaulted Loan To Mandarin Country Day Preschool of North Florida, Inc.**

*Summary:* The audit objective was to determine if the lender and borrower materially complied with SBA's requirements when originating, closing and liquidating the loan. The audit recommended the Office of Financial Assistance annotate SBA's loan accounting system to reflect the lender's release of the loan guaranty of \$692,250.0.

*Final Action:* \$692,250.0 collected

##### **Report #4–04, SBA Guaranteed Loan To Concord Wire Company**

*Summary:* The audit objective was to determine if the early loan default was caused by lender or borrower non-compliance with SBA requirements. The audit recommended SBA seek a repair of \$78,750.0 from the lender for an improper payment made by the borrower to a standby creditor for the loan.

*Final Action:* \$78,750.0 collected

##### **Report #4–06, SBA Guaranteed Loan To Himalayan Enterprises, Inc., dba Conoco Food Mart**

*Summary:* The objective of this audit was to determine if the lender originated, disbursed and liquidated the loan in accordance with SBA rules and regulations. The audit recommended the SBA seek recovery of \$519,754.87, less any subsequent recoveries, from the lender on the guaranty paid for the loan.

*Final Action:* \$519,754.87 collected

### **Funds Put To Better Use**

#### **Report #2–21, SBA Guaranteed Loan To Giordano's Of Logan Square**

*Summary:* The objective of this audit was to determine if the lender originated, disbursed and liquidated the loan purchased by SBA in accordance with SBA rules and regulations. The audit recommended SBA seek recovery of \$93,688.82 from General Electric Capital Corporation on the guaranty paid, less any subsequent recoveries, for the loan.

*Final Action:* \$93,688.82 implemented

#### **Report #2–30, SBA Guaranteed Loan To Earth Treasures, Inc.**

*Summary:* The objective of this audit was to determine if the lender originated, disbursed and liquidated the loan purchased by SBA in accordance with SBA rules and regulations. The audit recommended SBA seek recovery of \$84,911.0 from General Electric Capital Corporation on the guaranty paid, less any subsequent recoveries, for the loan.

*Final Action:* \$5,000.0 implemented / \$79,911.0 not implemented

#### **Report #2–32, SBA Guaranteed Loan To R.L.B. Vending, Inc. dba Break Time Vending**

*Summary:* The objective of this audit was to determine if the lender originated, disbursed and liquidated the loan purchased by SBA in accordance with SBA rules and regulations. The audit recommended SBA see recovery of \$370,309.0 from the General Electric Capital Corporation on the guaranty paid, less any subsequent recoveries, for the loan.

*Final Action:* \$370,309.0 implemented

#### **Report #3–40, Early Defaulted Loan To Stickney & Poor Spice Company**

*Summary:* The audit objective was to determine if the early loan default was caused by lender or borrower non-compliance with SBA's requirements. The audit recommended SBA seek recovery of the SBA repair guaranty of \$316,165.0 for the loan.

*Final Action:* \$335,640.21 implemented

### **TABLE III**

#### **Final Action On Audit Recommendations Not Completed Within 1 Year October 1, 2003 – September 30, 2004**

#### **Long-Term Objective 2.2. Maximize the sustainability and growth of existing small business assisted by SBA.**

##### **Report #43H006021, 8(a) Continuing Eligibility Reviews**

*Program:* 8(a)

*Date Issued:* 09/30/94

*Management Decision Date:* 10/30/94

*Explanation:* The recommendation is to the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development to establish procedures for determining whether 8(a) participants should no longer be considered economically disadvantaged based on their ownership interest in their 8(a) firms. Proposed success and graduation criteria have been proposed and are in clearance. These criteria will be implemented in FY2005. In addition, new criteria defining excessive withdrawals of company revenue by the owner will be proposed during FY2005. The target date for final action has passed, a new target date has not yet been determined.

##### **Report #87H002017, NOAA Computer Workstation Contracts**

*Program:* 8(a)

*Date Issued:* 06/18/98

*Management Decision Date:* 03/1/99

*Explanation:* The recommendation is to the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development to provide definitive guidance and definitions to evaluate the manufacturing criteria in 13 CFR 121.206. A final rule regarding "Information Technology Value Added" became effective on January 28, 2004. Additionally, a final rule redefining the definition of "manufacturing" became effective on June 21, 2004. This change was part of a general rulemaking effect on technical and procedural changes to 13 CFR Part 121. The target date for final action has passed, a new target date has not yet been determined.

**Report #9–23, Survey of Electronic Records Management***Program:* M&A*Date Issued:* 09/15/99*Management Decision Date:* 11/30/99

*Explanation:* This recommendation is to the Associate Deputy Administrator for Management and Administration to implement an electronic records management program that meets the requirements of 36 CFR 1222, 36 CFR 1228 and 36 CFR 1234. The implementation of an electronic records management program is underway. No timeline is provided in 36 CFR for the establishment of the e-systems element. The program office is currently at an impasse with the OIG audit report and a new target date for final action has not been established.

**Report #A1-06, Evaluation Of SBA's Computer Security Program***Program:* OCIO*Date Issued:* 09/28/01*Management Decision Date:* 01/09/02

*Explanation:* There are two recommendations. To correct, mitigate or accept vulnerabilities identified in SBA's risk assessments, and to update SOP 90-47, "Automated Information Systems Security Program." The OCIO purchased a software tool and entered into contracts to mitigate weaknesses at the general support system level. This recommendation is expected to be finalized by 12/31/04. For the second recommendation, the OCIO reviewed comments from the OGC and is revising the SOP to add SBA's position on peer to peer technology. After this review, the document will be returned to OGC for another review. The target date for this final action has passed and a new target date has not yet been determined.

**Report #0–14, 7(a) Service Fee Collections***Program:* OCFO*Date Issued:* 03/30/00*Management Decision Date:* 08/22/00

*Explanation:* The recommendation is to establish receivable accounts for 7(a) loan service fees. The OIG agreed in January 2004 to remove this recommendation subject to its review of the process to collect delinquent 7(a) servicing fees. The OCFO is working with OIG to determine what documents are needed for its review. The target date for final action is 12/31/04.

**Report #0–19, Small Disadvantaged Business Certification Program Obligations and Expenditures***Program:* GC/BD*Date Issued:* 06/30/00*Management Decision Date:* 03/30/01

*Explanation:* The recommendation is to seek a basis to require mandatory reimbursement from other agencies to fund the Small Disadvantaged Business Certification (SDB) program through an Executive Order or amendments to the Federal Acquisition Regulations. GC/BD proposes to continue use of the Economy Act for reimbursement from other agencies for SDB. Federal agencies have volunteered to pay early in the calendar year versus near year end. GC/BD has chosen to work collaboratively with the Federal agencies for SDB certification reimbursement rather than to divisively mandate payment through an Executive Order or amendments to the FAR. The target date for final action has passed, a new target date has not yet been determined.

**Report #0–30, SBA's Administration of the MBELDEF Cosponsorship***Program:* SDB*Date Issued:* 09/30/00*Management Decision Date:* 03/26/01

*Explanation:* Five recommendations remain open to the Associate Administrator for Business Initiatives (AA/BI) to incorporate safeguards into cosponsorships, require the cosponsorship program official to obtain appropriate training, determine the pro rata share of food costs for non-government attendees versus the amount collected, and ensure the responsible program officials report cosponsorship performance problems to the AA/BI, in accordance with SOP 90 75 2. Additionally, the audit recommends the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development (GC/MED) take steps to ensure that GC/MED employees enforce the terms of cosponsorship agreements. The Office of Strategic Alliances is revising SOP 90 75 to include cosponsorship guidance and has completed a series of trainings for all Headquarters, regional and field offices. The Office of Business Development is working with the Office of General Council to collect monies owed by MBELDEF and also issuing an Information Notice regarding cosponsorship

agreements. The target dates for final action have passed, new target dates have not yet been determined.

**Report #—31, Boscart Construction, Inc.**

*Program:* SDB

*Date Issued:* 09/30/00

*Management Decision Dates:* 02/26/01 & 03/26/01

*Explanation:* The recommendation is for the designated Agency Ethics Official to review the Agency's policies and procedures, ensuring compliance with the Agency's Standard of Conduct Regulations. This is not an ethics issue, but actually internal policy. The OGC issued a draft proposal outlining what this internal policy might encompass and provided a copy to the IG. Creating vetting procedures for the Agency is one of the responsibilities of the recently created Office of Strategic Alliances. OSA is drafting a policy Notice and SOP. The target date for final action is 10/22/04.

**Report #1—09, SBA's Planning and Assessment For Implementing Presidential Decision Directive 63**

*Program:* OCIO

*Date Issued:* 03/26/01

*Management Decision Date:* 09/27/01

*Explanation:* The recommendation is to ensure the Chief Infrastructure Assurance Officer (CIAO) revises the Critical Infrastructure Protection Plan to address protection of the Agency's physical minimum essential infrastructure. The OCIO will meet with the Deputy CIAO to address audit findings relating to field office physical security, establish duties and responsibilities of the Deputy CIAO. The target date for final action has passed and a new target date has not yet been determined.

**Report #1—11, Results Act Performance Measurement For The Minority Small Business and Capital Ownership Development Program**

*Program:* 8(a)

*Date Issued:* 03/27/01

*Management Decision Date:* 09/28/01

*Explanation:* There are three recommendations to the Associate Deputy Administrator for Government Contracting and Business Development (GC/BD) to 1) ensure SBA measures the success of the 8(a) Business Development program in accordance with the measure of success prescribed in P.L. 100-656, 2) the Performance

Plans include indicators for determining how effectively and efficiently the 8(a) program is operating, and 3) the Performance Plans accurately describe and report performance indicators and data. For the first recommendation, GC/BD recently completed an analysis of the SACS/MEDCOR system and found ways to improve the system to provide more reliable data on 8(a) participants. Regarding the second recommendation, GC/BD established indicators to measure the number of contracts to 8(a) program participants; training to participants for specific criteria within participant's business plans; and for defining success and graduation. And, for the final recommendation, GC/BD will ensure that its next Results Act Annual Report will accurately describe and report performance indicators and data. The target dates for final action have passed and new target dates have not yet been determined.

**Report #1—12, SBA's Information Systems Controls — FY2000**

*Program:* OCIO

*Date Issued:* 03/27/01

*Management Decision Dates:* 07/3/01 & 07/24/01

*Explanation:* The two recommendations are to the Office of the Chief Information Officer (OCIO). These recommendations are to develop quality control program procedures to periodically review existing applications to assure documentation is kept current and accurately reflects the cumulative effects of program changes made over time, and continue its efforts to identify and eliminate incompatible duties, responsibilities and functions. The change management and quality assurance procedures have been finalized. The CIO has instituted Project Health Checks for major projects. These health checks will be performed quarterly by the new Project Management Officer. The OCIO is developing reports for the program office representatives and security administrators to review and for monitoring the access accounts and privilege levels. The target dates for final action have passed and new target dates have not yet been determined.



**Report #1–16, SBA’s Follow-Up On SBLC Examinations***Program:* CA*Date Issued:* 08/17/01*Management Decision Date:* 09/25/01

*Explanation:* There are two recommendations to Capital Access to develop and implement formal procedures for the Small Business Lending Companies (SBLC) examination follow-up process and ensure appropriate corrective actions are taken in a timely manner, and to develop and promulgate internal control standards for the SBLC program similar to those required for non-SBLC lenders subject to financial institution regulators. On September 30, 2004, the Administrator approved the establishment of a Lender Oversight Committee. The Office of Lender Oversight (OLO) will report to the committee on SBLC examination schedules, examination results and follow-up actions. The committee process provides a formal structure for SBLC examination follow-up. This committee will also provide the supervisory oversight recommended in the audit report. The target dates for final action for these recommendations have passed and new target dates have not yet been determined.

**Report #1–19, PLP Oversight Process***Program:* 7(a)*Date Issued:* 09/27/01*Management Decision Date:* 08/27/02

*Explanation:* The recommendation is to revise the scoring for the annual review process to ensure the volume and weighting of point values of other questions does not offset low scores for eligibility and credit quality. The Office of Lender Oversight (OLO) completely redesigned the review process eliminating the scoring approach and implementing a risk based approach to oversight for SBA’s largest lenders. Additionally, with the implementation of the loan monitoring system, all lenders are risk rated based on their performance and credit quality. This method of oversight is the primary means of reviewing SBA lenders. The SOPs for risk based reviews and off-site monitoring will be in clearance during the first quarter of FY2005. A formal document approving the overall approach for OLO was cleared on September 30, 2004. The SOPs implementing this new approach will follow. The target date for final action has passed and a new target date has not yet been determined.

**Report #1–20, Agreed-upon Procedures Report on Sensitive Payments***Program:* OCFO*Date Issued:* 09/28/01*Management Decision Date:* 12/18/01

*Explanation:* The recommendation is to issue a Procedural Notice to remind SBA offices of the need to follow SOP 20 11 regarding the use and requirements for completion of SBA form 1179. A revision to this SOP has been in clearance with the OIG since May 2004. It includes an update to SBA’s policy on conference meetings that will satisfy this audit recommendation. The final action is expected to be completed by 12/31/04.

**Report #2–12, Improvements In The SBLC Oversight Process***Program:* OLO*Date Issued:* 03/20/02*Management Decision Date:* 08/27/02

*Explanation:* The two recommendations are to develop a formal policy regarding effective supervisory and enforcement actions, and to implement a system similar to that used by bank oversight organizations to assist in establishing lines of authority between the Office of Lender Oversight (OLO) and the Office of Financial Assistance (OFA). On September 30, 2004, the Administrator signed a document which clearly established OLO’s roles and responsibilities. It includes defining responsibilities with regard to supervision and enforcement actions for SBLCs and a Lender Oversight Committee. The committee will provide the supervisory and enforcement oversight recommended in the audit report and is similar to that used by bank regulatory agencies. The target dates for final action have passed and new target dates have not yet been determined.

**Report #2–17, SBA’s FY2001 Financial Statements – Management Letter***Program:* OCFO*Date Issued:* 04/12/02*Management Decision Date:* 09/18/02

*Explanation:* There are three recommendations. One recommendation is for the OCFO, in conjunction with Capital Access, to evaluate SBA’s Loan Accounting System to determine whether it provides adequate access to the borrower contact information necessary for servicing

loans and financial reporting. All loans processed electronically, via e-Tran (approximately 30% of 7(a) volume) feed the Sybase database with additional borrower location and contact data. This final action is expected to be completed by 9/30/05.

The remaining two recommendations are to the Office of the Chief Information Officer to determine if other information systems containing confidential sensitive information are protected from unauthorized access, and to establish procedures to periodically monitor software installed at workstations to assure proper licensing and authorized access to data. The OCIO has verified that the C&A process identifies sensitive information and is testing access controls that protect sensitive information from unauthorized access. There were several problems identified with the Track It inventory function. The latest version of this software will reportedly correct these problems. When it is installed, procedures will be developed to collect the data and review procedures will be put into effect. The final action target dates for the two OCIO recommendations have passed and new target dates have not yet been determined.

**Report # 2-18, SBA's Information Systems Controls Fiscal Year 2001**

*Program:* COO

*Date Issued:* 05/06/02

*Management Decision Dates:* 06/28/02 & 08/15/02

*Explanation:* There are three open recommendations. Two are for the Chief Operating Officer, in conjunction with Office of the Chief Information Officer (OCIO), Office of Human Resources and appropriate program offices to develop an Agency-wide security plan and to provide adequate funding and resources to allow OCIO to develop and implement technical training for security staff and network and application security administrators. The remaining recommendation is to the OCIO, in conjunction with appropriate program offices, to develop and implement standard operating procedures for network system and security administrators. The Compensation and Benefit Board has approved additional resources for OCIO IT Security. In addition, SBA's FY2005 budget will reflect additional funding for specialize technical IT security training and professional certifications. The Network Integration Branch receives a listing of new and departed

individuals on a bi-weekly schedule. All departed personnel accounts are deactivated and deleted after 6 months. Contractor personnel losses are provided by IT Security or the COTR, and accounts are deleted immediately. The OCIO is setting up a Vulnerability Assessment team to enhance the monitoring capability for compliance to policies. The target dates for final action have passed and new target dates have not yet been determined.

**Report #2-22, Travel Of SBA's Former Region VI Regional Administrator**

*Program:* OCFO

*Date Issued:* 08/07/02

*Management Decision Date:* 09/26/02

*Explanation:* There are two open recommendations: One is confidential and therefore not being detailed in this report, the other is for the CFO to provide training on relevant travel rules and regulations to all newly appointed authorizing and approving officials within 30 days of their appointment. The first recommendation is expected to be finalized by 9/30/05. The second recommendation concerns SBA's eTravel training which will be based on travel SOP 20 11. This SOP is expected to be published by 12/31/04. After SOP publication, the training requirements will be defined and materials prepared. This recommendation is expected to be finalized by 6/30/05.

**Report # 2-27, SBA's Experience With Defaulted Franchise Loans**

*Program:* OFA

*Date Issued:* 9/16/02

*Management Decision Date:* 12/9/02

*Explanation:* There are two open recommendations for the Office of Financial Assistance (OFA). They should ensure that the Agency's printed and electronic information on franchises no longer state that franchise-based businesses are significantly more successful than independent businesses, and should clearly define what constitutes a franchise loan. An Information Notice is in clearance to satisfy the first recommendation. OFA management is reviewing additional comments received from the OIG regarding the second recommendation. The target dates have passed for both recommendations and new target dates have not yet been determined.



**Report #2–29, Internal Control Over Colson Services Corporation's Contract As Central Servicing Agent For SBA's CDC Program**

*Program:* OFA

*Date Issued:* 9/16/02

*Management Decision Date:* 12/12/02

*Explanation:* The recommendation is for the Chief Financial Officer to use the Certified Development Company program trial balance to record items on SBA's financial statements. Extensive research is required to resolve SBA's reporting of these balances, SBA is still reviewing this issue for financial reporting. This recommendation is expected to be finalized by 6/30/05.

**Report #2–34, SBA's Controls Over The Access, Disclosure And Use Of Social Security Numbers By Third Parties**

*Program:* OA

*Date Issued:* 9/30/02

*Management Decision Date:* 7/23/03

*Explanation:* The recommendation is for the Office of Administration to direct the development and implementation of management controls over contracting activities involving Privacy Act information. We have identified the appropriate nondisclosure contract clause and are reviewing the appropriate contract files to ensure that they are included. This recommendation is expected to be finalized by 10/31/04.

**Report #3–02, SBA's Federal And State Technology Partnership (FAST) Program**

*Program:* FAST

*Date Issued:* 1/6/03

*Management Decision Date:* 9/30/03

*Explanation:* There are two recommendations for the Office of Technology (OT) to refine its guidance to better assist prospective FAST applicants and to develop clear guidance for recipients on how performance measurement reporting should be linked to indicators included in the technical proposals. OT addressed these issues in the FY2004 Program Announcement. But this approach did not fully address the audit finding. The OT will revisit these issues in the FY2005 Program Announcement, if funds are appropriated. The target dates for final action have passed, new target dates have not yet been determined.

**Report #3–05, Eligibility Of 15 HUBZone Companies And A Review Of The HUBZone Empowerment Contracting Program's Internal Controls**

*Program:* HUBZone

*Date Issued:* 1/22/03

*Management Decision Date:* 7/10/03

*Explanation:* The recommendation is for the Office of HUBZone Empowerment (HUBZone) to develop a plan to conduct an adequate number of program examinations each year to protect program integrity and lessen opportunities for contracting fraud. The Office of HUBZone Program has developed and implemented a plan to conduct program examinations on 5% of its portfolio, annually, to protect program integrity and lessen fraud. This plan is now under review by the Chief Operating Officer. The target date for final action has passed and a new target date has not yet been determined.

**Report #3–13, Economic Injury Disaster Loans**

*Program:* ODA

*Date Issued:* 3/14/03

*Management Decision Date:* 3/14/03

*Explanation:* Three recommendations remained open at the end of FY2004, to define the term "available net assets," to establish a ratio that identifies reasonable available net assets relative to the economic injury loan amount, and to use empirical data to determine the appropriateness of using the \$750,000.0 threshold of total net available assets and the blanket application of the 50% equity rule. The final actions for all three of these recommendations were completed in early October 2004 and these recommendations are now closed.

**Report #3–14, TEP Consulting Inc.**

*Program:* OVBD

*Date Issued:* 3/14/03

*Management Decision Date:* 4/10/03

*Explanation:* The open recommendation is to the Office of Administration (OA) to recover, from TEP Consulting, the unallowable and unsupported costs charged to the cooperative agreement. OA exhausted all avenues for collecting money and is awaiting the opinion of the Agency's Office of General Council for concurrence on debarment and suspension. The target date for final action has passed, a new target date has not yet been determined.

**Report #3–18, Grants To The Texas Center For Women’s Business Enterprise***Program:* WBO*Date Issued:* 3/20/03*Management Decision Date:* 6/4/03

*Explanation:* The two remaining recommendations are for the Office of Administration (OA) to require The Texas Center For Women’s Business Enterprise to refund unsupported costs and to refund the costs of the vehicle furnished to the former Executive Director for personal use. OA exhausted all avenues for collecting money and is awaiting the opinion of the Agency’s Office of General Council for concurrence on debarment and suspension. The target dates for these final actions have passed, new target dates have not yet been determined.

**Report # 3–20, SBA’s Information System Controls For FY-2002***Program:* Agency Management*Date Issued:* 3/31/03*Management Decision Date:* 5/12/03 through 7/15/03

*Explanation:* There are eight open recommendations. One recommendation is to the Office of Human Capital Management, in conjunction with OCIO, to designate the NFC payroll/personnel system as a critical system and proceed to develop an application systems security plan. The CIO’s Security Staff conducted an on-site visit to the National Finance Center to investigate the SBA’s Personnel/Payroll System. They developed a systems security plan and implemented a time table to correct deficiencies. The Acting Chief Human Capital Officer and the Chief Information Officer certified and accredited the Personnel/Payroll System. The OCIO also added the Personnel/Payroll System to the SBA’s Critical Application List. Another recommendation is to the CFO, in conjunction with OCIO, to update the systematic password and log-in controls in JAAMS so that it is consistent with SBA standard password policy. The current version of Oracle Federal Financials will not allow us to take any corrective action. As application upgrades occur to the software, SBA will re-assess the situation. Currently, we anticipate upgrading Oracle in early FY2005.

The six remaining recommendations are directed to the CIO. To fully implement the planned upgraded intrusion detection system and reporting monitoring tools. The OCIO is awaiting contract approval to have an independent vendor evaluation of the network and to make a recommendation on sensor placements. We expect to have these activities during the first quarter of FY2005. Recommend the CIO develop and implement policies and procedures regarding its access and password policies. All network administration accounts now require passwords for activation. Accounts are checked monthly to ensure passwords are required. The target date for final action has passed, a new target date has not yet been determined. Recommend the CIO enforce the procedures currently in place and remove all unauthorized remote desktop software from workstations. There is currently no comprehensive list of Agency approved software. However, users do not have the administrative rights (i.e., access) to install any software on SBA computers. The target date for final action has passed, a new target date has not yet been determined. Recommend the CIO provide a standard configuration for Windows 2000 consistent with NIST and NSA guidelines, and further recommend the CIO complete the implementation of Windows 2000. Windows 2000 is configured in accordance with NIST standards. The completion of full implementation of Windows 2000 is contingent upon the Sacramento Loan Servicing Center upgrade to Windows 2000 which is scheduled for the first quarter of FY2005. Recommend the CIO require the JAAMS security administrator to perform an annual review of users to ensure no user has excessive access and all users are currently authorized JAAMS users. The OCIO developed account managing procedures to address this issue. The target date for final action has passed and a new target date has not yet been determined. Recommend the CIO provide adequate training and periodic retraining to enable JAAMS security administrators to effectively perform their duties. The OCIO has scheduled a meeting with the CFO to discuss this periodic training for JAAMS Administrators. This recommendation is expected to be finalized by 11/14/04.

**Report #3–23, Selected Aspects Of The Service Corps Of Retired Executives (SCORE) Program***Program:* ED*Date Issued:* 4/11/03*Management Decision Date:* 9/30/03

*Explanation:* The one remaining open recommendation is for the Office of Business and Community Initiatives to determine the source of authority that permits SBA to provide funding for National SCORE Office paid staff. This recommendation cannot be finalized until Congress passes the final SBA reauthorization authorizing a paid SCORE headquarters staff. This recommendation is expected to be finalized by 9/30/05.

**Report #3–24, SBA's FY2002 Financial Statements Management Letter***Program:* OCFO*Date Issued:* 4/14/03*Management Decision Date:* 6/25/03 through 8/7/03

*Explanation:* There are four recommendations. They are for the CFO to: strengthen financial reporting internal controls to ensure proper year-end cut-off, maintain transactional detail for all prior year obligation adjustment transactions, perform an analysis of contra balance undelivered orders to determine how to properly remove them from the general ledger detail, and ensure every undelivered order transaction is processed in accordance with SGL criteria and has sufficient supporting transactional detail. The Oracle 11i system upgrade implementation is planned for October 12, 2004, followed by an evaluation of its functionality for undelivered orders processing. This final action is expected to be finalized during the first quarter of FY2005.

**Report #3–26, MicroLoan Program: Moving Toward Performance Management***Program:* MicroLoan*Date Issued:* 5/13/03*Management Decision Date:* 8/28/03

*Explanation:* There are five recommendations to the Office of Financial Assistance. 1) Ensure the development of a comprehensive MicroLoan program SOP, 2) ensure the current MicroLoan production minimum for intermediaries is raised, 3) ensure that a standardized manual template for reporting technical assistance quantitative

data be developed, 4) ensure that the MicroLoan Program develops comparative cost data to manage the program, and 5) ensure program staff encourage individual program participants to collect outcome measures that focus on business sustainability and job creation over the long term. The FY2005 budget request included zero funding for the MicroLoan Program. As the program was slated to be discontinued, OFA ceased concentrating on completion of an SOP. Based on Congressional activity, it now appears that funding for the MicroLoan Program will be made available and work on the SOP has resumed. This final action is expected to be completed 12/31/04. OFA agrees that the production minimum should be raised, but this requires a regulatory change. OFA has begun working with OGC on a revision of the regulation. We estimate this recommendation cannot be fully implemented until late FY2005. OFA has been working with the field of NTAP organizations to develop a clear range of appropriate data collection fields for a standardized manual template. Based on the budget, competition and selection calendars, actual reporting will probably begin during the first quarter of FY2006. OFA has implemented a cost based system for funding intermediary lenders and NTAP organizations. Beginning with awards made in FY2004, cost averages were integrated into the mandated debt percentage calculations for all MicroLoan Program grants. As a result, all intermediary lender grants allocated under the statutory basis of percentage of debt were further delineated based on the comparative costs of providing technical assistance to both existing and potential MicroLoan clients. NTAP grants awarded in FY2004 were also allocated based on the costs of providing technical assistance to clients seeking private sector funding. The target date for this final action has passed, a new target date has not yet been determined. Following internal discussions with the OIG, it was agreed that the Agency could/should not, at the present time, mandate collection of long term sustainability and job creation data from MicroLoan participants. However, OFA did agree that the MicroLoan program and industry would benefit from the collection of this data within available resources. The target date for this final action has passed, a new target date has not yet been determined. Final action on recommendations four and five have been accepted by the OIG as of the end of FY2004.

**Report #3–32, SBA’s Acquisition, Development And Implementation Of The Joint Accounting And Administrative Management System**

*Program:* OCFO

*Date Issued:* 6/30/03

*Management Decision Date:* 9/11/03

*Explanation:* The recommendation is for the CFO to seek monetary recovery from World Wide Technology, Inc. or an in-kind contribution of additional Oracle Discoverer licenses to compensate for the unusable Financial Analyzer software. OCFO has been working with OCIO and GSA on the Government’s enterprise-wide initiative. GSA has not issued clear direction yet. Therefore, OCFO will await the GSA decision before determining final resolution for this recommendation. A final action is not anticipated until 4/30/05.

**Report #3–34, SBA’s Compliance With JFMIP Property Management System Requirements**

*Program:* Agency Management

*Date Issued:* 7/23/03

*Management Decision Date:* 9/11/03

*Explanation:* There are two recommendations to the CFO. To either establish and implement an interface for the FAAS and the AAP with JAAMS, or consolidate the reporting of all property management functions in JAAMS. The SBA currently uses manual processing to record new property in its property and general ledger systems. Recently the OCFO issued a procedural notice to improve the compliance with existing procedures to record new property and inventory old property. An

improvement to the financial systems managing property will be reconsidered as part of FY2005 financial management priorities. The second recommendation is to revise and update SOP 20 13 to reflect changes in policies and processes required for managing property. A draft notice was developed, but is now being reworked to include changes regarding capitalized property thresholds. These recommendations are expected to be completed during the first quarter of FY2005.

**Report #3–35, National Women’s Business Council Program: Agency Management**

*Date Issued:* 7/28/03

*Management Decision Date:* 9/03/03

*Explanation:* This recommendation is to the NWBC Executive Director to require Springboard 2000 Enterprises, Inc. (SBE) and Forum for Women Entrepreneurs (FEW) to provide justification for receiving \$579,368.0 based on expenses incurred. Upon review of the opinions provided by the SBA’s Associate General Counsel for Litigation, the program office recommended that no further action be taken. It did not appear to be in the best interests of the Government to pursue this item further. A final action was submitted to the OIG, but not approved, because the program office did not present a compelling reason not to follow through on the audit recommendation that required SBE and FWE to provide justification for receiving monies from the various forums based on estimated expenses incurred. The target date for this final action has passed and a new target date has not yet been determined.

## APPENDIX 4 GAO RECOMMENDATIONS

### STRATEGIC GOAL ONE

**Improve the economic environment for small business.**

#### Long-Term Objective 1.1

Minimize the regulatory burden on small business through effective advocacy.

*None*

#### Long-Term Objective 1.2

Ensure equity and fairness in the Federal regulatory enforcement process.

*None*

#### Long-Term Objective 1.3

Minimize the taxation burden on small business through effective advocacy.

*None*

#### Long-Term Objective 1.4

Minimize the health care cost burden on small business through effective advocacy.

*None*

#### Long-Term Objective 1.5

Simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology.

*None*

#### Long-Term Objective 1.6

Increase the effectiveness of federal agencies to improve opportunities for small business.

**GAO-03-54—Small Business Administration: The Commercial Marketing Representative Role Needs to Be Strategically Planned and Assessed**

*Recommendation:* The Administrator of SBA should assess, evaluate, and plan the CMR role, including addressing such issues as the impact of assigning multiple roles to

CMR's, the appropriate CMR role focus, the effectiveness of compliance-monitoring methods, and the impact of uneven CMR workloads and prime contractor coverage.

*Status:* Closed

*Status Comments:* In a letter dated January 16, 2003, to Senator Lieberman and Representative Burton, the administrator, SBA, wrote that SBA has already begun to assess, evaluate, and plan the role of the CMR, and expects to address all of GAO's specific concerns before this effort is completed. The letter did not specify any timeframe.

*Status Comments:* (10/27/04) In the proposed subcontracting regulation issued on October 20, 2003, SBA more clearly defined the types of compliance reviews and the procedures for those reviews. This information has also been communicated to CMRs, large and small businesses through the Small Business Liaison Officer's Deskbook distributed by SBA. In a letter dated January 16, 2003, to Senator Lieberman and Representative Burton, the administrator, SBA, wrote that SBA has already begun to assess, evaluate, and plan the role of the CMR, and expects to address all of GAO's specific concerns before this effort is completed. The letter did not specify any timeframe.

*Recommendation:* The Administrator of SBA should clearly communicate the strategic plan and expectations for the CMR role to both SBA staff and small businesses.

*Status:* Closed

*Status Comments:* In a letter dated January 16, 2003, to Senator Lieberman and Representative Burton, the administrator, SBA, wrote that SBA would communicate the strategic plan and expectations for the CMR role to both SBA staff and small business as the GAO recommends. The letter did not specify any timeframe.

*Status Comments:* (10/27/04) In a letter dated January 16, 2003, to Senator Lieberman and Representative Burton, the administrator, SBA, wrote that SBA would communicate the strategic plan and expectations for the CMR role



to both SBA staff and small business as the GAO recommends. The letter did not specify any timeframe.

In the proposed subcontracting regulation issued on October 20, 2003, SBA more clearly defined the types of compliance reviews and the procedures for those reviews. This information has also been communicated to CMRs, large and small businesses through the Small Business Liaison Officer's Deskbook distributed by SBA.

*Recommendation:* The Administrator of SBA should develop specific outcome and impact measures for CMRs' effectiveness.

*Status:* Closed

In a letter dated January 16, 2003, to Senator Lieberman and Representative Burton, the administrator, SBA, wrote that SBA agrees with GAO that they should develop more specific outcome measures and intend to develop additional outcome and impact measures to demonstrate the success of the program. The letter states that the most important measure will be the number of prime contractors whose compliance rating has improved from marginal or unacceptable to acceptable as a result of CMR counseling. The letter did not specify any timeframe.

*Status Comments:* (10/27/04) In October 2003, SBA revised the CMR Monthly Report to address performance metrics for CMRs. Rather than implement a system by which SBA looked only at the number of contractors whose rating has improved, SBA decided to measure the number of recommendations made by CMRs that were implemented. When CMRs conduct compliance reviews, they make formal recommendations to prime contractors on ways to improve their small business programs. Companies that are found to be "Marginal" or "Unacceptable" must submit corrective action plans. By measuring the number of recommendations made by CMRs to prime contractors that were implemented, SBA

believes that we can demonstrate the positive impact of the Subcontracting Assistance Program.

### **GAO-01-346—Federal Procurement: Trends and Challenges in Contracting With Women-Owned Small Businesses**

*Recommendation:* The Administrator, SBA, should include in SBA's mandated study of industries in which WOSBs are underrepresented sufficient analysis to establish more realistic agency-specific annual goals for prime and subcontracts with WOSBs. Given the Department of Defense's (DOD) predominance in government contracting, SBA could benefit from the active collaboration and support of DOD in performing the study. SBA should also keep Congress informed as it develops a strategy for implementing the new provisions designed to expand federal contracting with WOSBs. In particular, SBA should notify its authorizing and appropriations committees if it determines that its capacity to implement the key provisions of the legislation will be impaired by insurmountable resource constraints.

*Status:* Closed

*STATUS COMMENTS:* According to the GAO SBA liaison, on May 23, 2003, SBA issued a letter of contract to the National Academies, Division of Behavioral and Social Sciences and Education, to conduct a technical review of SBA's draft study to address methodological issues. The technical review is to be completed, and conclusions and finding reported to SBA within 9 months.

*Status Comments:* (10/27/04) The results of the study were due in April, but NAS asked for an extension of the contract due to a change in the key personnel working on the contract. The Agency granted the extension, since to deny it would have further delayed the contract substantially. The results of the review are now expected by the end of the calendar year. It is SBA's policy to keep Congress informed.

## STRATEGIC GOAL TWO

Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

### Long-Term Objective 2.1

Increase the positive impact of SBA assistance upon the number and success of small business start-ups.

#### GAO-04-610—Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind

*Recommendation:* In developing policies for the use of the Dun & Bradstreet loan monitoring service, SBA should consider the applicability of best practices, including specific policy elements identified in this report. Practices that should be considered include plans for continuous improvement in the service and its tools, frequent and routine portfolio reviews, and active involvement of senior SBA managers in reviewing the use of output.

*Status:* Closed

*Status Comments:* SBA considered GAO's comments and believes its lender oversight activities include the types of best practices suggested by GAO.

*Recommendation:* SBA should expedite the development of policies for taking enforcement actions against all lending partners to address noncompliance issues identified through the loan monitoring service and to address safety and soundness issues among SBLCs and CDCs, for whom SBA is the only regulator. We have made recommendations calling on SBA to clarify its supervisory and enforcement powers since November 2000. Although SBA has taken some incremental planning steps to address the issue, its current time line estimates finalizing enforcement regulations in April 2005.

*Status:* Open

*Status Comments:* SBA is developing SOPs governing the use of the loan and lender monitoring service.

*Recommendation:* SBA should ensure that resources within SBA are devoted to developing policies for the use of the loan monitoring service, so that the overall time line for completion—April 2005—is met.

*Status:* Open

*Status Comments:* SBA is devoting resources to its lender oversight activities.

*Recommendation:* SBA should establish an agency-wide task force to explore the potential for applying the capabilities of the Dun & Bradstreet service to SBA business processes and responsibilities other than lender oversight, such as overall portfolio risk management or budget projections. Programmatic offices and the Office of the Chief Financial Officer should be included.

*Status:* Closed

*Status Comments:* SBA considered GAO's recommendation and does not believe that a taskforce is needed. Two committees have been formally established by the Administrator – a Portfolio Analysis Committee and a Lender Oversight Committee. Both committees have senior management representation. Capabilities and use of the loan and lender monitoring system are an integral part of both committee meeting activities.

*Recommendation:* SBA should develop contingency plans that would enable SBA's continued risk management of the 7(a) and 504 portfolio overall, individual lenders, and their portfolios in the event that the Dun & Bradstreet contract is discontinued.

*Status:* Closed

*Status Comments:* SBA is developing a contingency plan for continued risk management.

### **GAO-03-90—Small Business Administration Progress Made but Improvements Needed in Lender Oversight**

*Recommendation:* To improve PLP and SBLC oversight, the SBA Administrator should provide, through regulation, clear policies and procedures for taking enforcement actions against preferred lenders and SBLCs in the event of continued noncompliance with SBA's regulations. Specifically, the Administrator of SBA should adopt regulations that would clearly define SBA authority to take enforcement actions and specify conditions under which supervisory actions would be taken.

*Status:* Open

*Status Comments:* The President's legislative package for FY2004 included specific oversight and enforcement authorities for 7(a) lending including specific authorities for SBLCs and preferred lenders. Significantly similar versions of these authorities are included in both the House and Senate versions of SBA's reauthorization bills. Upon passage of SBA's reauthorization bill, SBA will develop regulations consistent with the provisions of the bill. In the interim, SBA is developing formal SOPs for oversight and enforcement for SBLCs that reflect actual practices in place.

*Status Comments:* (12/27/04) The President's legislative package for FY2004 and 2005 included specific oversight and enforcement authorities for 7(a) lending including specific authorities for SBLCs and preferred lenders. While various versions of SBA reauthorization bills have contained these provisions no legislation has passed. In addition, the Administrator approved a 606 on September 30, 2004 that established the Office of Lender Oversight's responsibilities with regard to enforcement and oversight of all 7(a) lenders including SBLCs. OLO will prepare the necessary guidance, regulations and/or SOPs, to implement the 606 within SBA's current level of enforcement authority over SBLCs.

*Recommendation:* To improve PLP and SBLC oversight, the SBA Administrator should continue to explore ways to assist large national lenders to participate in the PLP. These efforts could include further development and

implementation of SBA's Lender Liaison program and continued attention to standardizing the PLP certification process and enhancing its transparency, as was done with the development of the Lender Evaluation Worksheet to assist lenders in their interactions with district offices.

*Status:* Closed

*Status Comments:* SBA is reviewing issues associated with large national preferred lenders and considering the best approach to addressing them.

*Status Comments:* (10/27/04) SBA has done within its current authority and proposed legislation. Congress has not acted on the legislation. The Office of Financial Assistance is monitoring the discussion of this issue in Congress. There is draft legislation that would enable OFA to provide a national PLP status. OFA stands ready to quickly draft regulations and implement any legislation for national PLP.

*Recommendation:* To improve PLP and SBLC oversight, the SBA Administrator should incorporate strategies into its review process to adequately measure the financial risk lenders pose to SBA, develop specific criteria to apply to the credit elsewhere standard, and perform qualitative assessments of lenders' performance and lending decisions.

*Status:* Closed

*Status Comments:* SBA's Loan and Lender Monitoring System provides credit risk information and the ability to review lenders off-site. Additionally, the on-site lender review process has been redesigned to consider financial risk factors and qualitative assessments of performance and credit decisions made by SBA lenders.

*Recommendation:* To improve PLP and SBLC oversight, the SBA Administrator should separate lender oversight functions and responsibilities from OCA, including those currently done by the Office of Financial Assistance, such as responsibility for revoking preferred lender status and establish clear authority and guidance for the Office of Lenders Program, or its successor office, that states, at a minimum, its program responsibilities and planned staffing for those responsibilities. This would provide an over-

sight office with greater autonomy within SBA to match the growing importance of lender oversight in achieving SBA's goal of ensuring that PLP lenders make loans to eligible borrowers while properly managing the financial risk to SBA.

*Status:* Closed

*Status Comments:* Two committees have been established to ensure that the Office of Lender Oversight has sufficient independence to carry out its activities. The committees are the Portfolio Analysis Committee and the Lender Oversight Committee.

### **Long-Term Objective 2.2**

Maximize the sustainability and growth of existing small businesses assisted by SBA.

#### **GAO-04-610—Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind**

*See Long-Term Objective 2.1 above for details.*

#### **GAO-03-90—Small Business Administration: Progress Made but Improvements Needed in Lender Oversight**

*See Long-Term Objective 2.1 above for details.*

#### **GAO-03-87—Small Business Administration: Accounting Anomalies and Limited Operational Data Make Results of Loan Sales Uncertain**

*Recommendation:* The Inspector General should, in conjunction with SBA's financial statement auditors, assess the impact of any identified errors in the financial statements and determine whether previously issued audit opinions for the fiscal years 2000 and 2001 financial statements need to be revised.

*Status:* Closed

*Status Comments:* (10/27/04) In consultation with the IG, SBA's financial statement auditors withdrew their opinions on SBA's fiscal year 2000 and 2001 financial statements on 12/20/02. OCFO subsequently communicated to interested parties and the public (via SBA's

OCFO website) that SBA's fiscal 2000 and 2001 financial statements should no longer be relied upon. These notices were posted by OCFO on 1/06/2003 at the web addresses below. OIG considers this portion of the recommendation to be addressed.

<http://www.sba.gov/aboutsba/IndependentAuditorLetter.pdf>

<http://www.sba.gov/aboutsba/ManagementsNotificationLetter.pdf>

Since GAO issued its report, SBA's financial statement auditors have been assessing and evaluating the corrective actions taken by OCFO to identify and quantify the impact of the errors noted by GAO. SBA's financial statement auditors were not able to fully assess the results of SBA's corrective actions during the fiscal year 2002 and 2003 audits as OCFO had not yet completed all the necessary analysis before audit reports were issued for fiscal year 2003. OCFO has asserted to OIG and the financial statement auditors that the analysis has been completed and those results are included in fiscal year 2004 and 2003 comparative financial statements. The audit of these statements is not scheduled to be completed until mid-November, at which time OIG will complete its assessment in conjunction with the financial statement auditor.

*Recommendation:* To ensure that SBA has complete information to enforce borrower protections in its loan sale agreements and has reliable information to report to Congress on how borrowers are reacting to the sales, the Administrator should develop procedures for documenting and processing inquiries and complaints from borrowers, and provide guidance to the field offices about implementing them.

*Status:* Closed

*Status Comments :* SBA will issue a procedural notice that will provide SBA field personnel with a uniform process for handling borrower inquiries and complaints. In addition, SBA reported that it has (1) established an electronic mail account for use by all employees to record and forward borrower comments to SBA's Washington, D.C. office, (2) established a database to maintain and

track these borrower comments, and (3) implemented enhancements to a tracking system used for residential borrower inquiries that is maintained in SBA's El Paso, Texas servicing center.

*Status Comments:* (10/27/04) SBA has not held an asset sale since December of 2002. In the event that asset sales are re-instituted, SBA will issue a procedural notice that will provide SBA field personnel with a uniform process for handling borrower inquiries and complaints.

*Recommendation:* To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should correct the errors in SBA's loss calculations for loan sales one through five, and adjust the fiscal years 2000 and 2001 financial statements before conducting additional loan asset sales.

*Status:* Closed

*Status Comments:* SBA's fiscal year 2002 financial statements included an adjustment to the loss calculation for sales during the year. Specifically, in the loss calculation SBA considered additional factors to determine the value to SBA of the loans sold. SBA plans to make similar adjustments to the losses calculated and reported in fiscal years 2000 and 2001, when it reissues the financial statements for those years. In addition, SBA suspended its loan sales activity until this issue and others are resolved.

*Status Comments:* (10/27/04) SBA subsequently implemented the recommendations of the independent consulting firm, including developing a new loan-level integrated disaster cost model which can be used for reestimates as well as asset sale estimates. All of the asset sales results were recalculated using the new model and the associated losses were booked in SBA's loan accounting system. Based on the results of the improved model, SBA's asset sales program was cancelled.

*Recommendation:* To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should perform the necessary analyses to assess the effect of loan sales on the reestimates, to determine whether the cash flow assumptions in SBA's model

reasonably predict future loan performance before conducting additional loan asset sales.

*Status:* Closed

*Status Comments:* SBA hired an independent consulting firm to assist them in a thorough review of SBA's process to estimate and reestimate the costs of the direct disaster loan program, including the effects of loan sales. The consultants recommended several specific corrective actions to address the weaknesses GAO reported related to SBA's reestimates. Currently, SBA is in the process of developing new cash flow models for the disaster loan program that, once implemented, they believe will improve the accuracy of the cost estimates. In addition, SBA suspended its loan sales activity until this issue and others are resolved.

*Status Comments:* (10/27/04) SBA has developed and implemented new cash flow models for the disaster loan program. In addition, SBA suspended its loan sales activity until this issue and others are resolved.

*Recommendation:* To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should perform the necessary analyses to determine and correct the cause of the unexplained decline in the subsidy allowance account, and make the relevant adjustments to the fiscal years 2000 and 2001 financial statements, as appropriate, before conducting additional loan asset sales.

*Status:* Closed

*Status Comments:* SBA hired an independent consulting firm to thoroughly assess its accounting and budgeting procedures for its credit programs in order to determine the cause of the unexplained decline in the disaster loan program subsidy allowance account balance. Based on this analysis, SBA believes that the cause was an error in its method to estimate the cost of the program. SBA is currently developing a new cash flow model to estimate the cost of the disaster loan program that once implemented they believe will correct the account balance. In addition, SBA suspended its loan sales activity until this issue and others are resolved.



*Status Comments:* (10/27/04) Based on this analysis, SBA found that the cause was an error in its method to estimate the cost of the program. The upward reestimate of almost \$1 billion for the cost of the asset sales which was booked in FY2002 and FY2003 resolved the decline in the subsidy allowance account.

*Recommendation:* Finally, to provide Congress and SBA with a better understanding of the impact of loan sales on SBA's operations, the Administrator should conduct a more comprehensive evaluation of the loan sales' impact on the agency and the cost savings from the sales.

*Status:* Closed

*Status Comments:* SBA has not yet completed a study of the impact of loan sales on agency operations and whether loan sales produce cost savings.

*Status Comments:* (10/27/04) Based on the revised cost model which showed large losses to the Agency associated with the loan sales program, SBA concluded that the administrative cost savings generated from loan sales were not nearly sufficient to offset the losses and therefore asset sales were not cost effective for the Agency.

#### **GAO-02-789—International Trade: Federal Action Needed to Help Small Businesses Address Foreign Patent Challenges**

*Recommendation:* In addition, the Administrator of the Small Business Administration, with assistance from the Director of the U.S. Patent and Trademark Office, should collect and make available information about key aspects of foreign patent laws, requirements, procedures, and costs that would be useful to small businesses that are considering whether to obtain foreign patent protection.

*Status:* Closed

*Status Comments:* (10/27/04) The GAO reviewed the Effectiveness of Federal efforts at export promotion on September, 2002. The report focused on the Trade Promotion Coordinating Committee which SBA's Office

of International Trade is an active member. GAO's finding had no adverse negative mention that would require action to be taken by SBA.

The report studied the costs and burden to small business in obtaining, maintaining and enforcing patents in foreign countries. As a result of the audit, SBA agreed to work in the implementation of two items: 1) Participate in a series of roundtable discussions that were to have started on March 31, 2003. These discussions were to be lead by the United States Patent and Trademark Office. The Office of International Trade has worked with the Office of General Counsel in the implementation of this item. 2) Work on creating a linkage between the UPTPO and SBA's Website that would have information available to small businesses. SBA OIT office has implemented this requirement.

#### **Long-Term Objective 2.3**

Significantly increase successful small business ownership within segments of society facing competitive opportunity gaps.

#### **GAO-01-346—Federal Procurement: Trends and Challenges in Contracting With Women-Owned Small Businesses**

*See Long-Term Objective 1.6 above for details.*

#### **RCED-00-196—Small Business: SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts**

**RECOMMENDATION:** To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, the Administrator, SBA, should periodically perform a nationwide sample survey of 8(a) firms to obtain measurable program data. At a minimum, the survey should assess whether SBA assistance is meeting the firms' expectations and needs.

*Status:* Closed

*Status Comments:* SBA officials continue to agree that the best way to assess whether the 8(a) program is meeting the needs of participants is through a nationwide survey. They state that are dedicated to examining methods to perform the survey without placing an undue burden on the small businesses, and within the agency's budget. In the past, SBA reported that it had developed a survey but funds were not available for it to be launched.

*Status Comments:* In FY2005, SBA is planning on holding roundtables with 8(a) participant to better understand their expectations and needs. Additionally, the contractors providing the 7(j) training will begin to gather data from 8(a) participants on whether their needs and expectations are being met, and will share this information with SBA.

*Recommendation:* To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, the Administrator, SBA, should provide a method for collecting data on each firm's training needs for tracking the assistance provided.

*Status:* Closed

*Status Comments:* SBA continues to agree that it needs a method for collecting feedback from 8(a) participants on the quality of service SBA provides and information on their training needs. SBA states that it is "dedicated to examining" methods to obtain feedback without burdening the 8(a) program participants.

*Status Comments:* (10/27/04) SBA is developing an 8(a) annual review process that will better track the assistance provided to each participant, including mentor-protégé, surplus property, 7(j) and other training. This, coupled with the needs assessment submitted as part of each firm's business plan will allow SBA to track assistance provided.

#### **GAO-04-9—Small Business Administration: Model for 7(a) Program Subsidy Had Reasonable Equations, but Inadequate Documentation Hampered External Reviews**

*Recommendation:* To further enhance the reliability of SBA's subsidy estimates, the SBA Administrator should determine how best to include in future subsidy models borrower-specific information, such as credit scores and loan-to-value ratios, to be collected in the new loan monitoring system.

*Status:* Closed

*Status Comments:* (10/27/04) SBA is reviewing all newly obtained data to assess its usability in the subsidy models. As the existing models are revised, new data will be incorporated where deemed appropriate.

*Recommendation:* To further enhance the reliability of SBA's subsidy estimates, the SBA Administrator should ensure that the model remains reasonable by establishing a process for periodically evaluating the model to correct any errors and revising it to reflect changes in the 7(a) business loan program or other factors that could affect the subsidy estimate.

*Status:* Closed

*Status Comments:* (10/27/04) SBA already does this.

*Recommendation:* To demonstrate and explain the rationale and basis for the 7(a) econometric model and all other models developed, the SBA Administrator should prepare and retain adequate documentation of the model development process including a detailed discussion of the alternative variables or combinations of variables that were considered, tested, and rejected, as well as the reasons for rejecting them.

*Status:* Closed

*Status Comments:* (10/27/04) SBA retains the information required.

## STRATEGIC GOAL THREE

Restore homes and businesses affected by disaster.

### Long-Term Objective 3.1

Maximize the timely restoration of businesses and homes following disaster.

*None*

### Long-Term Objective 3.2

Provide courteous and professional customer service.

*None*

## STRATEGIC GOAL FOUR

Ensure that all SBA programs operate at maximum efficiency and effectiveness by providing them with high-quality executive leadership and support services.

### Long-Term Objective 4.1

SBA's general planning and management will result in clearly defined goals and effective strategies, and the coordination of operational support, so as to maximize the Agency's mission performance through a comprehensive performance management system.

**GAO-04-76—Small Business Administration:  
Progress Made, but Transformation Could Benefit  
from Practices Emphasizing Transparency and  
Communication**

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should clarify for employees, congressional, and other stakeholders the leadership and implementation team members who are guiding transformation.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator

should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should finalize the draft transformation plan that clearly states SBA's strategic goals for transformation and includes implementation goals, timeline, and resource requirements, and share the plan with stakeholders and employees.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should develop performance goals that reflect the strategic goals for transformation and more clearly link the strategic goals of transformation to existing performance goals. In addition, the Administrator should develop budget requests that clearly link resource needs to achieving these strategic and performance goals.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should ensure that the new performance management system is clearly linked to well-defined goals to help individuals see the connection of their daily activities and organizational goals and encourage individuals to focus on their roles and responsibilities to help achieve those goals.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should develop a communication strategy that facilitates and promotes frequent and two-way communication between senior managers and employees and between the agency and its stakeholders, such as Congress and SBA's lenders. For example, SBA could electronically post frequently asked questions and answers on its Intranet.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

*Recommendation:* In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should facilitate employees' involvement by soliciting ideas and feedback from its union and staff, ensuring that their concerns and ideas are considered. For example, SBA could develop employee teams and expand employee feedback mechanisms like those it employed in the pilot training.

*Status:* Closed

*Status Comments:* (10/27/04) SBA does this to the maximum extent possible.

### **Long-Term Objective 4.2**

SBA will recruit, sustain and effectively deploy a skilled, knowledgeable, diverse workforce and executive cadre capable of executing high quality programs and activities that meet current and emerging needs of its customers.

### **GAO-04-76—Small Business Administration : Progress Made, but Transformation Could Benefit from Practices Emphasizing Transparency and Communication**

*See Long-Term Objective 4.1 above for details.*

### **Long-Term Objective 4.3**

Financial management systems will support both SBA strategic management and financial accountability by providing financial information that is useful, relevant, timely and accurate and which assists SBA in maximizing program performance and accountability.

### **GAO-03-87—Small Business Administration Accounting Anomalies and Limited Operational Data Make Results of Loan Sales Uncertain**

*See Long-Term Objective 2.2 above for details.*

### **GAO-02-313—Debt Collection Improvement Act of 1996: Status of Selected Agencies' Implementation of Administrative Wage Garnishment**

*Recommendation:* To help ensure that agencies effectively incorporate Administrative Wage Garnishment (AWG) into their debt collection processes, GAO recommends that the Secretaries of the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, and Veterans Affairs; and the commissioner of the Social Security Administration (SSA) direct their chief financial officers and the Administrator of the Small Business Administration (SBA) direct the Associate Deputy Administrator for Capital Access to take the following steps: prepare comprehensive written implementation plans that clearly define, at a minimum, the types of debt that will be subject to AWG, the policies and procedures for administering AWG, and the process for conducting hearings. Some of the details that should be considered for inclusion in the plan are (1) whether the agency will conduct AWG in-house, at a debt collection center, or both; (2) the types of debts, if any, that will be sent to the Financial Management Service (FMS) prior to becoming 180 days delinquent; and (3) whether hearings will be conducted by the agency or contracted out.

*Status:* Closed

*Status Comments:* During GAO's review, SBA submitted a written implementation plan for AWG. However, the plan was not comprehensive in that it did not discuss important elements of AWG, including the hearings process and the types of debt subject to AWG. In response to GAO's recommendation, SBA does not address revising its AWG implementation plan, but instead states that in connection with the publication of final regulations to implement AWG, SBA is preparing comprehensive procedures to guide its field offices in using this collection tool. SBA anticipates these procedures will be issued by March 31, 2004 (which will be subsequent to the planned issuance of final AWG regulations no later than the end of calendar year 2003), and will address the following: (1) the use of AWG in connection with all eligible obligors, e.g., regular business and disaster business loans to individual persons, disaster home loans, and personal guarantors of business loans; (2) SBA's use of AWG both as part of its in-house collection procedures as well as through FMS's cross-servicing; and (3) SBA will conduct AWG hearings in-house and does not intend to contract out this function.

*Status Comments:* (10/27/04) SBA currently has a regulation in clearance, and continues to work with those offices that have issues with the requirements.

*Recommendation:* To help ensure that agencies effectively incorporate Administrative Wage Garnishment (AWG) into their debt collection processes, GAO recommends that the Secretaries of the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, and Veterans Affairs; and the Commissioner of SSA direct their chief financial officers and that the Administrator of SBA direct the Associate Deputy Administrator for Capital Access to complete and finalize regulations for conducting AWG.

*Status:* Closed

*Status Comments:* According to SBA, the agency's final AWG regulations will be published by the end of calendar year 2003. At that time, SBA will provide a copy of its final AWG regulations to GAO.

*Status Comments:* (10/27/04) The agency has published proposed regulations for AWG and intends to publish final regulations by December 31, 2004

*Recommendation:* To help ensure that agencies effectively incorporate Administrative Wage Garnishment (AWG) into their debt collection processes, GAO recommends that the Secretaries of the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, and Veterans Affairs; and that the Commissioner of SSA direct their chief financial officers and the Administrator of SBA direct the Associate Deputy Administrator for Capital Access to use AWG in conjunction with other debt collection tools, when practicable, as leverage to obtain payments from delinquent debtors.

*Status:* Closed

*Status Comments:* Shortly after SBA's final AWG regulations are published prior to the end of calendar year 2003, SBA will provide GAO (1) a copy of those regulations, which address the above issues, and (2) a copy of SBA's due process notice, which should inform a debtor of the potential use of AWG under DCIA at 15 percent to collect delinquent debt.

*Status Comments:* (10/27/04) SBA states that depending on the circumstances, AWG can be used at any stage of the collection process if use of the tool will not compromise other avenues of collection. Typically, SBA liquidates loan collateral and determines the deficiency balance on an account prior to collecting from individual obligors. However, SBA collection efforts are conducted on a case-by-case basis and if AWG may be appropriately used prior to liquidation of collateral, it will be initiated. SBA is currently in the process of drafting procedures for AWG, and these procedures may also discuss due process notices that would inform debtors of the potential use of AWG to collect delinquent debt.

*Recommendation:* To help ensure that agencies effectively incorporate Administrative Wage Garnishment (AWG) into their debt collection processes, GAO recommends that the Secretaries of the Departments of Agriculture, Education, Energy, Health and Human



Services, Housing and Urban Development, and Veterans Affairs; and the Commissioner of SSA direct their chief financial officers and that the Administrator of SBA direct the Associate Deputy Administrator for Capital Access to expedite referrals of eligible debts to FMS for cross-servicing when relying on FMS to perform AWG. Agencies should refer such debt prior to the 180-day delinquency threshold when practicable.

*Status:* Closed

*Status Comments:* According to SBA, SBA expedites the referral of eligible debt to FMS for cross-servicing and transfers the debt promptly following the use of in-house collection tools. SBA generally only refers unsecured debt that cannot be collected through SBA procedures to FMS for cross-servicing prior to the 180-day delinquency threshold. Also, SBA reports that the transfer of debt to FMS for cross-servicing prior to 180 days delinquency is generally not feasible since SBA, at that stage of delinquency, is seeking to structure a workout with the borrower or pursue collection of the obligation through other means. After SBA has (1) failed in an attempt to restructure a debt through a workout if the borrower is cooperative and continued repayment is feasible and then (2) liquidated all collateral and pursued other cost-effective collection action, SBA refers all legally-collectible debts to FMS for cross-servicing.

*Status Comments:* (10/27/04) SBA expedites the referral of eligible debt to FMS for cross-servicing and transfers the debt promptly following the use of in-house collection tools. SBA generally only refers unsecured debt that cannot be collected through SBA procedures to FMS for cross-servicing prior to the 180-day delinquency threshold. Also, SBA reports that the transfer of debt to FMS for cross-servicing prior to 180 days delinquency is generally not feasible since SBA, at that stage of delinquency, is seeking to structure a workout with the borrower or pursue collection of the obligation through other means. After SBA has (1) failed in an attempt to restructure a debt through a workout if the borrower is cooperative and continued repayment is feasible and then (2) liquidated all collateral and pursued other cost-effective collection action, SBA refers all legally-collectible debts to FMS for cross-servicing.

### **Long-Term Objective 4.4**

Information and related technology will be managed effectively and securely through SBA leveraging data and systems to support program execution and promote cost efficiency.

#### **GAO-04-49 – Information Technology Management: Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved**

*Recommendation:* To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should document the agency's IT strategic management processes.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 1, they will improve their IT strategic planning/performance measurement processes by documenting SBA IT strategic management processes. Furthermore, they anticipate implementing their processes by fiscal year 2007.

*Status Comments:* (10/27/04) This process is largely documented already through existing requirements, such as the annual budget formulation process and particularly by the requirement for business cases (form 300) for major IT investments. In the business case, the project "owner" must demonstrate the project's linkage to the agency's strategic plan and its associated goals. That documented linkage within the business case is reviewed in the internal screening of all form 300's before transmittal to OMB.

*Recommendation:* To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should include in the agency's annual performance plan the resources and time periods required to implement the information security program plan required by FISMA.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 1, they will improve their IT strategic planning/performance measurement processes by including in the Agency's annual performance plan the resources and time periods required to implement the information security program plan required by FISMA. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) The Agency's Compensation and Benefits Board has approved additional resources for OCIO IT Security. In addition, the FY05 operating budget will reflect additional funding for specialized technical IT Security training and professional certifications. We expect to have FISMA resource requirements and timelines more fully documented for the FY2007 budget formulation.

*Recommendation:* To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop a documented process to develop IT goals in support of agency needs, measure progress against these goals, and assign roles and responsibilities for achieving these goals.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 1, they will improve their IT strategic planning/performance measurement processes by developing a documented process to develop IT goals in support of agency needs, measure progress against these goals, and assign roles and responsibilities for achieving these goals. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) In FY2004 SBA began using Earned Value Management (EVM) discipline for 6 projects in either a mixed or developmental lifecycle, valued at roughly \$12 million in total. During FY2005 the Agency will begin using an EVM variant for applicable portions of its operational, steady state investments. The use of EVM requires responsible project managers and

establishment of estimated and actual cost, schedule and performance indicators.

*Recommendation:* To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop performance measures related to the agency's IT goals in its IRM plan, including, at a minimum, measures related to how IT contributes to program productivity, efficiency, effectiveness, the overall performance of its IT programs, and the effectiveness of controls to prevent software piracy, and track actual-versus-expected performance for these IT performance measures.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 1, they will improve their IT strategic planning/performance measurement processes by developing performance measures related to the agency's IT goals in its IRM plan, including, at a minimum, measure related to how IT contributes to program productivity, efficiency, effectiveness, the overall performance of its IT programs, and the effectiveness of controls to prevent software privacy, and track actual-versus-expected performance for these IT performance measures. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) In FY2004 SBA began using Earned Value Management (EVM) discipline for 6 projects in either a mixed or developmental lifecycle, valued at roughly \$12 million in total. During FY2005 the Agency will begin using an EVM variant for applicable portions of its operational, steady state investments. The use of EVM requires responsible project managers and establishment of estimated and actual cost, schedule and performance indicators. Agency policy on software piracy has been established and reiterated in SOP 9047.1 dated and reproduced below in italics:

*c. Copyrighted Desktop Computer Software.*

The following desktop computer software copyright policy is established:

(1) An employee of the SBA must not copy, except as provided below, any software that is protected by a copyright unless authorized by the software license agreement which accompanies such software.

(2) In order to protect the Agency's investment in software and to ensure the operational continuity of Agency programs, it is permissible to make a backup copy of copyrighted software.

(3) The removal of desktop computer software that has been purchased by the Agency from any Government owned desktop computer, office or building for purposes other than official business is prohibited. Installation of software obtained in violation of copyright restrictions on Agency computers is also strictly prohibited.

(4) This policy applies equally to employees of the Agency, contract or grant employees doing business with or acting for the Agency, and any others who may have access to or be required to use commercial software in the performance of their assignments.

(5) Employees violating this policy will be subject to appropriate disciplinary action.

*Recommendation:* To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop a mechanism for benchmarking the agency's IT management processes, when appropriate.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 1, they will improve their IT strategic planning/performance measurement processes by developing a mechanism for benchmarking the agency's IT management processes, when appropriate. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) The CIO organization will require that benchmarking be addressed where appro-

priate in its infrastructure business case (form 300) and in other appropriate business cases developed for the FY2007 budget year.

*Recommendation:* To improve the agency's IT investment management processes, the Administrator of the Small Business Administration should document a process that the investment management board can invoke final decision-making authority over IT investments addressed by lower level boards.

*Status:* Closed

*Status Comments:* SBA generally agreed with GAO's comments and advised that within their Project Phase 2, they plan to improve the Agency's IT investment management process by documenting a process that the investment management board can invoke final decision-making authority over IT investments addressed by lower-level boards. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) We will add this provision to the next edition of the IT Investment Management Guide, due Q1 FY2005.

*Recommendation:* To improve the agency's IT investment management processes, the Administrator of the Small Business Administration should implement a policy requiring that proposed IT investments support work processes that have been simplified or redesigned to reduce costs.

*Status:* Closed

SBA generally agreed with GAO's comments and advised that within their Project Phase 2, they plan to improve the Agency's IT investment management process by implementing a policy requiring that proposed IT investments support work processes that have simplified or redesigned to reduce costs. Furthermore, they anticipate implementing the process by fiscal year 2007.

*Status Comments:* (10/27/04) All major IT development projects must be documented in business case (form

300) and submitted to OMB annually. To complete the form 300 the project owner must respond to a question on simplified or reengineered work processes. We will add internal review of the “redesigned work processes” question to our internal screening checklist and clarify the requirement in revisions to the IT Investment Management Guide due Q1 FY2005.

#### **GAO-02-188—Loan Monitoring System: SBA Needs to Evaluate Use of Software**

*Recommendation:* The Administrator should direct the Chief Information Officer to take the actions necessary to bring the L/L/LMS project in compliance with the Small Business Reauthorization Act and with SBA’s agreement with the House Committee on Small Business. Such actions should include an evaluation of prototype software and documentation in accordance with SBA’s system development methodology and generally accepted system development practices. The evaluation should consider the extent to which the software satisfies requirements already identified for the electronic processing of loan guarantee applications; the potential impact of changes in requirements, as business processes and requirements of lender oversight and risk manage-

ment are identified; and the costs and benefits of alternative courses of action: whether the software should be (1) separated from L/L/LMS and implemented, (2) separated from L/LMS and further modified to meet mission needs, or (3) held in suspense until all L/LMS requirements and plans have been completed.

*Status:* Closed

*Status Comments:* In 2002, SBA formally separated the prototypes from the original L/LMS. Subsequently, in 2003, SBA redirected its efforts for the L/LMS system deciding not to develop its own L/LMS system. Rather, SBA contracted for loan and lender monitoring services from industry risk management experts obtaining a state of the art system containing features consistent with those used by commercial lenders. By acquiring services and deciding not to develop a system internally, the recommendation contained in this GAO report is no longer applicable and is closed.

### **LONG-TERM OBJECTIVE 4.5**

Procurement and contracting services will be planned and managed to support SBA program management and the achievement of the Agency’s goals.

*None*

## APPENDIX 5

# OIG REPORTS ON THE MOST SERIOUS MANAGEMENT CHALLENGES

The Office of the Inspector General (OIG) identifies SBA's top management challenges and annually publishes a yearly report with recommendations for corrective action on the SBA Performance and Accountability Report and on the SBA website. The COO tracks the challenges and the corrective actions taken during the fiscal year.

Each challenge in the report specifies the corrective actions required. The Office of the COO works with each of the SBA offices having responsibility for implementing the corrections and provides the resulting information to the OIG. The SBA has taken major strides toward corrective actions on the recommendations made by the OIG in FY2004 that the OIG has evaluated in its December 2004 report.

The OIG provided SBA management its Report on the Most Serious Management Challenges Facing the Small Business Administration in Fiscal Year (FY) 2005, Report Number: 5-01 as of October 15, 2004. A copy of that report is included in Appendix 5 and is available at [www.sba.gov/ig/igreadingroom.html](http://www.sba.gov/ig/igreadingroom.html) by selecting Top Management Challenges.

The SBA took major strides toward meeting its management challenges during FY2004 by making substantial progress or fulfilling the corrective actions recommended by the OIG in the FY2004 report. This is reflected by the status in a substantial number of them moving to yellow or green. Included in Appendix 3 is the table tracking the corrective actions taken by the SBA during FY2004.

OIG MANAGEMENT CHALLENGES		
Challenge Number	Title	Crosswalk to SBA Long Term Objectives
5	SBA needs better controls over the business loan purchase process.	21. & 2.2
6	SBA needs to continue improving lender/participant oversight.	2.2 & 2.2
9	Preventing loan agent fraud requires addition measures.	21. & 2.2
11	The current structure and oversight practices of the SBIC program place too much risk on taxpayer money	2.2
7	The Section 8(a) Business Development program needs to be modified so more participating companies receive access to business development, standards for determining economic disadvantage are clear and objective, and more eligible firms receive contracts.	2.3
8	SBA needs to enforce its rules to deter firms receiving small business set-aside, 8(), or small disadvantaged business price evaluation preference contracts from passing through large portions of the procurement to other firms.	2.3
1	SBA needs to improve its managing for results processes and performance data.	1.6
10	SBA needs to update its system of directive to provide proper guidance and control over its operations.	4.1
4	Maximizing program performance requires that SBA fully develop, communicate, and implement its human capital management/transformation strategy.	4.2
2	SBA faces significant challenges in financial management and reporting which affects its ability to provide reliable, timely and accurate financial information.	2.1 & 2.2
3	Information systems security needs improvement.	4.4



U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

Report No. 5-01

*FY 2005 Report  
on the Most Serious Management Challenges  
Facing the Small Business Administration*

OCTOBER 15, 2004



**U.S. Small Business Administration**  
**Washington, D.C. 20416**

**OFFICE OF  
INSPECTOR GENERAL**

October 15, 2004

MEMORANDUM

TO: Hector V. Barreto  
Administrator

FROM: Harold Damelin  
Inspector General

SUBJECT: SBA's Top Management Challenges for Fiscal Year 2005

In accordance with the Reports Consolidation Act of 2000, we are providing the Office of Inspector General's (OIG) Report on the Most Serious Management Challenges Facing the Small Business Administration (SBA) in Fiscal Year (FY) 2005. We have provided our current assessment of Agency programs or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, or mismanagement. The challenges are not presented in order of priority, as we believe that all are critical management issues facing the Agency.

Our report is based on specific OIG, Government Accountability Office (GAO), or other official reports, as well as our general knowledge of SBA's programs. Our analysis considers actions reported by the Agency as of August 16, 2004, as well as certain actions brought to our attention as of September 30, 2004.

This year's report contains one new challenge—Challenge 11. It deals with the need to make substantial changes in the Small Business Investment Company (SBIC) program to reduce the substantial risk to taxpayers, as set forth in an OIG report issued in May 2004.

Recently, at your direction, the Agency has focused more attention on the Management Challenges by, among other things, placing them on the Management Board agenda and assigning overall responsibility to the Chief Operating Officer. As a result, SBA has made progress on many of the challenges, especially on Challenge 1—managing for results. While this is encouraging, much more remains to be done. By their nature, these challenges require continued long-term commitment and effort by the Agency.

This report will be incorporated into the SBA's FY 2004 Performance and Accountability Report, as required by law. Please contact me at (202) 205-6586, should you have any questions.

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### **Challenge 1. SBA needs to improve its managing for results processes and performance data.**

The Agency made substantial progress toward implementing actions to address this challenge last year. Budget and performance integration, an integral part of the President's Management Agenda (PMA) and whose underpinnings include the Government Performance and Results Act (GPRA), is an increasingly important and demanding activity for SBA. During the past year, the Agency continued to work toward implementing performance-based management processes devised to meet the requirements of the PMA and GPRA. These processes include planning for, and analysis of, performance measurement data and reporting of programmatic results and accountability.

To better manage its results processes and performance data, SBA created the Office of Analysis, Planning and Accountability (OAPA) to coordinate and support the work of program offices and others across the Agency that have performance measurement and reporting responsibilities. Through training and outreach to program offices, OAPA works to build capacity among program staff to develop performance measures that better measure program outcomes. OAPA also serves as the key resource to advise management in meeting the requirements of the PMA, GPRA and related initiatives.

Despite the SBA's progress toward improving its managing for results processes, SBA's capacity to report quality data continues to present a challenge. Recognizing that SBA needs to improve the quality of its data, the Agency is requiring program offices to complete a "Validation of Data Used in Performance Measure" table for each performance indicator that will be used in the FY 2004 Performance and Accountability Report. Information from these tables will assist the Agency in determining whether performance outcomes are regularly measured and reflect results attributable to Agency programs.

<b>Actions Needed</b>	<b>Progress</b>
<b><i>Top management provides positive and supportive attitude toward performance-based management focused on managing for results.</i></b>	
Top management provides leadership to coordinate the Agency's managing for results program and commits sufficient resources to support the leadership effort.	Green↑
Strategic plan is ratified and reflects top management's vision and direction.	Green
• Appropriate Agency program goals and objectives are established.	Green
• Appropriate performance measures and indicators are established.	Green
• Program managers support SBA's strategic plan, performance goals, and objectives.	Green↑
• Training programs are provided to managers and others responsible for implementing the performance results requirement.	Green↑
Management provides adequate resources to support processes necessary to have an effective performance-based and results-driven operation.	Green↑
<b><i>SBA analyzes risks associated with achieving objectives.</i></b>	
SBA periodically assesses the risk that it may not achieve its goals.	Green↑
Performance outcomes are regularly measured and reflect results attributable to Agency programs and services delivered.	Yellow
<b><i>Policy and procedures provide guidance to ensure consistency among organizational components.</i></b>	
Policies and guidelines for developing performance goals, objectives and measures, and verifying and validating data are published.	Green
<b><i>Information is recorded and communicated to management and others who need it to fulfill their oversight and stewardship responsibilities.</i></b>	
Managers have and use operational and financial data to assess their progress in meeting Agency goals and to ensure accountability for effective and efficient use of resources.	Yellow

**Green**-Implemented **Yellow**-Progress being made **Red**-Not implemented/no substantial progress

**Challenge 2. SBA faces significant challenges in financial management and reporting, which affects its ability to provide reliable, timely and accurate financial information.**

Various laws and regulations place significant responsibilities on Federal financial managers to assess whether they are effectively and efficiently managing public resources. During FYs 2002 and 2003, the OIG, GAO, and SBA's external auditor all noted significant internal control weaknesses that resulted in the Agency being unable to produce reliable, timely, and accurate financial information, including its annual financial statements and the results of past loan asset sales.

The Agency has taken steps to improve its financial management and reporting. These efforts have been focused primarily on improving the Agency's models for estimating subsidy costs, improving controls over financial statement preparation, and correcting accounting errors related to loan sales and subsidy cost allowances. FY 2004 is the first full reporting cycle for which these improvements have been placed into operation and preliminary reviews of these actions indicate that significant progress has been made. However, as of the cut-off date of this report, the external auditor and OIG have not fully assessed whether the corrective actions will result in SBA overcoming its financial management and reporting challenges.

Actions Needed	Progress
<b><i>SBA's financial reporting process provides complete, reliable, and timely financial management information.</i></b>	
The Office of the Chief Financial Officer (OCFO) produces complete, reliable, and timely financial statements that are prepared in accordance with OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements.	Red
<ul style="list-style-type: none"> <li>SBA's core financial system is able to provide complete, reliable, timely, and consistent financial management information.</li> </ul>	Red
<ul style="list-style-type: none"> <li>SBA meets all deadlines for financial reporting.</li> </ul>	Yellow ↑
<ul style="list-style-type: none"> <li>SBA documents all aspects of its financial reporting process.</li> </ul>	Yellow
<ul style="list-style-type: none"> <li>SBA maintains strong internal control over the financial reporting process to avoid submitting financial statements with misclassifications and errors.</li> </ul>	Yellow
<b><i>SBA maintains proper accounting for, and accountability of, the Master Reserve Fund (MRF).</i></b>	
SBA fully accounts for the MRF in accordance with all Federal accounting regulations.	Yellow
SBA utilizes statistically valid tools to measure the financial position of the MRF.	Yellow
<b><i>SBA maintains control over all aspects of the loan accounting and budgeting processes.</i></b>	
SBA revises the approach to estimate cash flows for the disaster loan program.	Yellow
SBA adheres to the requirements of Federal Financial Accounting and Auditing Technical Release No. 3.	Yellow
SBA properly accounts for loan asset sales in accordance with all Federal accounting and budget regulations.	Yellow
<ul style="list-style-type: none"> <li>SBA investigates and corrects all known errors made in the accounting and budget records from previous loan sales.</li> </ul>	Yellow
<ul style="list-style-type: none"> <li>SBA performs the necessary analysis to assess the effects of loan sales on the subsidy re-estimates to determine whether cash flow assumptions in SBA's subsidy rate model predict future loan performance.</li> </ul>	Yellow
<ul style="list-style-type: none"> <li>SBA performs the necessary analysis to determine and correct any unexplained decline in the subsidy allowance account.</li> </ul>	Yellow
SBA utilizes a well-documented and tested automated methodology for accumulating cash flows necessary for subsidy calculations.	Yellow
SBA fully implements quality assurance procedures over the subsidy re-estimation process.	Yellow

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress



### Challenge 3. Information systems security needs improvement.

The confidentiality, integrity, and availability of SBA's information systems are vital to the continued successful operation of the Agency. While information technology can result in a number of benefits, such as information being processed more quickly and communicated almost instantaneously, it can also increase risk of fraud, inappropriate disclosure of sensitive data, and disruption of critical operations and services. SBA's information systems do not have the necessary controls to fully ensure its security.

The Chief Information Officer is responsible for all facets of enforcing computer security, enterprise architecture, and systems development standards for SBA's 38 major information systems. The Agency's commitment of direct resources to improve computer security, provide technical staff support, and develop security training has continued to decline. This has further weakened a computer security program that already lacks sufficient controls to fully protect SBA's systems. Due to the long-term nature of implementing a security program, completion of final action on some of the recommendations is not scheduled until the FY 2005 to FY 2006 time frame or beyond. The OIG will be performing further audit work to evaluate the Agency's ongoing efforts in its information security program.

Actions Needed	Progress
<b><i>SBA needs to improve its Information Technology general and application control environment.</i></b>	
Entity-wide security program controls are in place and operating effectively.	Red ↓
Access controls are in place and operating effectively.	Yellow
Application software development and program change controls are in place and operating effectively.	Yellow
System software controls are in place and operating effectively.	Red ↓
Segregation of duty controls are in place and operating effectively.	Yellow
Service continuity controls are in place and operating effectively.	Yellow
Application authorization controls are in place and operating effectively.	Green ↑
Application completeness controls are in place and operating effectively.	Green ↑
Application accuracy controls are in place and operating effectively.	Green ↑
Application integrity of processing and data file controls are in place and operating effectively.	Green ↑
<b><i>SBA needs to fully comply with the Federal Information Security Management Act (FISMA).</i></b>	
Material weaknesses in SBA's computer security program are being addressed and corrected.	Yellow
The SBA Plan of Actions and Milestones (POA&M) accurately reports on all computer security weaknesses and corrective actions.	Yellow
The SBA Administrator has clearly set forth FISMA responsibilities and authorities.	Green
SBA complies with its the Capital Asset and Investment Control Program.	Green
The SBA Administrator ensures that the computer security program is practiced throughout the life-cycle of each agency system.	Yellow ↑
SBA integrates its information security program with its critical infrastructure program.	Green
SBA has identified its critical operations and assets and further defined the interdependencies and interrelationships of those operations and assets.	Yellow
Procedures and practices for reporting security incidents are in place and operate effectively.	Green
SBA has assessed risks to operations and assets under its control, maintained security plans and performed security test and evaluation procedures.	Yellow
SBA has adequately maintained an agency-wide information security program.	Yellow
SBA ensures adequate and up-to-date computer security program training.	Yellow ↓
SBA integrates security into capital planning and investment control.	Yellow

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress

#### **Challenge 4. Maximizing program performance requires that SBA fully develop, communicate, and implement a human capital management/transformation strategy.**

As small business practices, products, and needs have changed in the last decade, SBA has made major modifications in its delivery of goods and services and has begun making significant changes in the structure of its workforce. To respond to these external and internal changes, SBA developed a Human Capital Management Plan. This plan, however, deals primarily with specific Office of Human Capital Management (OHCM) activities instead of providing a comprehensive workforce transformation strategy. For example, the Human Capital Management Plan generally lacks specific strategies and milestones for moving SBA to the new vision posed in SBA's FY 2003-2008 Strategic Plan. This lack of a documented transformation strategy impedes accountability.

Over the last year, OHCM has made significant progress in providing the Agency with the support and tools it needs for transforming SBA's workforce. By their nature, many of these tools require substantial time to implement.

OHCM efforts, however, can be only one part of the Agency's effort to resolve the human capital challenge and transform the workforce. The overall responsibility for transforming the Agency belongs to SBA as a whole. Because the Agency did not develop a comprehensive transformation plan, problems occurred in establishing of the National Guaranty Purchase Center (NGPC) in Herndon, Virginia. A recent OIG review found that the NGPC was established without a thorough analysis of how best to accomplish centralization of guaranty purchase and liquidation actions that were being conducted in the field. Lack of planning led to inadequate staffing and program deficiencies. SBA has never released a transformation strategy or made employees aware of major changes that will affect them until after the changes have already been implemented. Moreover, the Agency has yet to publish a report on the changes that have been instituted. The lack of Agency employee involvement in the decision-making process and timely communication of a transformation strategy can breed uncertainty and mistrust, resulting in poor employee morale and reduced commitment and productivity.

<b>Actions Needed</b>	<b>Progress</b>
Develop, communicate to all employees, and implement a Human Capital Plan that (1) is structured along the lines of the <i>Human Capital Assessment and Accountability Framework</i> (released jointly by the Office of Management and Budget, the Office of Personnel Management and the General Accounting Office) and (2) contains clear customer service standards.	Yellow
Communicate to all employees and incorporate into the Human Capital Plan a workforce transformation strategy that aligns with SBA's FY 2003-2008 Strategic Plan.	Red
Identify and analyze the knowledge, skills, abilities, and other characteristics that SBA employees will need to perform successfully over the next five years and complete a gap analysis.	Yellow
Establish and implement competency models reflecting the core competencies that will be needed in the next five years.	Yellow
Develop and implement an evaluation process for regular assessments of Agency skills.	Green↑
Establish and implement an evaluation control mechanism to ensure that all employees have received the appropriate training and have the necessary skills.	Yellow
Develop and implement a comprehensive succession planning process for all staff levels, including regular evaluations of the effectiveness/impact of various components of the process.	Yellow
Make substantial progress in SBA's workforce transformation to meet the needs of SBA's FY 2003-2008 Strategic Plan.	Yellow
Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress	

### Challenge 5. SBA needs better controls over the business loan purchase process.

SBA's guaranty purchase process is the primary tool for assessing lender compliance on a loan-by-loan basis, and protecting SBA from making erroneous guaranty purchase payments. Until recently, there had been few changes in the guaranty purchase process since 1983, when the majority of Section 7(a) loan applications and all credit-worthiness decisions were reviewed by SBA prior to approval. At the same time, the Preferred Lenders Program (PLP), which permits lenders to make credit decisions with little or no SBA oversight, has grown significantly. In FY 2003, the \$5.8 billion in PLP loans represented 52 percent of the total dollar value of Section 7(a) loans. OIG audits of early defaulted loans showed that lenders did not always originate loans in full compliance with SBA's credit requirements or prudent lending practices, and SBA's guaranty purchase reviews did not consistently detect these non-compliances, resulting in improper payments. In the fourth quarter of FY 2003, SBA discontinued the quarterly Guaranty Purchase Review (GPR) quality assurance program designed to monitor the guaranty purchase decision making process and assess the level of improper (erroneous) payments. The Improper Payments Act of 2002 requires SBA to assess risk and develop information to measure and monitor improper payments.

SBA has taken actions to correct many of the deficiencies identified, such as issuing a policy notice strengthening purchase procedures, developing training modules, and training a limited number of individuals responsible for making purchase decisions. SBA also recently centralized the 7(a) loan guaranty purchase process to improve the efficiency of the program and plans to re-establish a quality assurance program to replace the discontinued GPR program. The field offices are no longer involved in the purchase process. While we agree that centralization will strengthen the process, a recent OIG management advisory report on the transfer of operations to the guaranty purchase center questioned the reasonableness of the 85 percent reduction in the guaranty purchase review staff and showed that additional actions are needed to further strengthen the process and make it an effective operation for reducing the level of improper payments.

Actions Needed	Progress
<b><i>Top management provides a positive and supportive attitude toward the guarantee purchase process.</i></b>	
Management establishes an organizational culture where deny and repair actions are used when appropriate.	Yellow
• Adequate resources are devoted to the purchase process.	Red ↓
• Adequate training is provided.	Yellow
<b><i>SBA identifies level of improper payments and analyzes risks associated with loan guarantee purchases.</i></b>	
SBA periodically determines actual or potential risks of erroneous payments.	Yellow
SBA determines level of improper payments for the entire loan portfolio in compliance with the Improper Payments Information Act of 2002.	Red ↓
<b><i>Policies and procedures provide guidance to ensure consistency and accuracy in the purchase process.</i></b>	
SBA has clear guaranty purchase procedures, that provide for consistent interpretation.	Yellow
Current guidance describes adequate documentation needed to make purchase decisions.	Yellow
Lenders are informed of required documentation to submit with the guaranty purchase request.	Green
Goals are established for reducing erroneous payments.	Green
<b><i>SBA manages the guarantee purchase to reduce improper payments and resolve programmatic problems.</i></b>	
SBA implements a quality assurance system that allows SBA to make progress in achieving established goals for reducing improper payments.	Red ↓
Problems identified by the audits and reviews are resolved timely.	Yellow
Information on all loans with identified guaranty purchase issues are flagged in the Delinquent Loan Collection System (DLCS).	Green

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress

### Challenge 6. SBA needs to continue improving lender/participant oversight.

SBA is the largest gap lender for small business entrepreneurs in the United States. As a gap lender, SBA necessarily takes more risk than a conventional lender. Since its inception in 1953, SBA has loaned or guaranteed billions of dollars to finance and spur investment in small business concerns. In its business loan programs, SBA has shifted over the years from an organization that processed loans to one that relies on program participants to implement its credit programs and services. This reliance results in less oversight by SBA, thereby increasing the risk of financial loss and noncompliance with policies and procedures. An effective participant oversight program is critical for ensuring that participant activities serve Agency objectives and comply with all policies and procedures.

To improve its oversight, the Agency has established a Lender Monitoring System to identify the level of potential and actual financial risk by both lender and loan that allows the assessment of overall program risk. The on-site and off-site lender review process has been revised to focus on those lenders who present the greatest risk to SBA. Also, the Agency has issued its strategic plan for lender oversight, and is developing new guidance for lender reviews. The effectiveness of the new programs will be assessed this year. Overall, the Office of Lender Oversight (OLO) appears to be making progress in implementing a risk-based process to evaluate effectively its lenders and loan portfolio.

Actions Needed	Progress	
	7(a)	504
<b><i>Top management provides a positive and supportive attitude toward lender oversight.</i></b>		
The Agency establishes an OLO to implement and manage the oversight of lending partners.	Green	Green
SBA has a plan for lender oversight.	Green ↑	Green ↑
Training programs exist for implementing the participant oversight process.	Green ↑	Green ↑
Senior management provides adequate resources for the lender oversight program.	Green	Green
<b><i>SBA analyzes risks associated with achieving objectives.</i></b>		
A systematic process exists to estimate the level of financial risk on a per loan and participant basis.	Green ↑	Green ↑
A systematic process exists to estimate the level of compliance risk on a per loan and participant basis.	Green	Green
Overall program risk is independently reassessed on a recurring basis.	Green ↑	Green ↑
<b><i>Policies and procedures provide guidance to ensure consistency among organizational components.</i></b>		
Policy and program guidance for lender reviews exists.	Yellow	Yellow
SBA provides guidance and training for new participants and those who demonstrate an unacceptable level of compliance.	Green	Green
Uniform policies and procedures have been established for periodic evaluations of participant performance and retention.	Yellow	Yellow
<b><i>Information is recorded and communicated to management and others who need it to fulfill their oversight and stewardship responsibilities.</i></b>		
SBA has an automated loan monitoring system to capture useful information and effectively monitor risk.	Green ↑	Green ↑
There is effective communication among SBA's internal units.	Yellow ↓	Yellow ↓
<b><i>Monitoring of performance occurs and findings of audits and other reviews are promptly resolved.</i></b>		
Standardized and periodic reviews of lending activities that address risk are performed.	Green ↑	Green ↑
Systems tracking review results and recommendations are implemented.	Yellow	Yellow
The status of each lending partner is periodically reevaluated based on the results of the estimates of financial and compliance risk.	Green ↑	Green ↑

Green-Implemented Yellow-Progress being made or improvements implemented but not evaluated as of this date

Red-Not implemented/no substantial progress



**Challenge 7. The Section 8(a) Business Development (BD) program needs to be modified so more firms receive access to business development, standards for determining economic disadvantage are clear and objective, and more eligible firms receive contracts.**

SBA has not placed adequate emphasis on business development to enhance 8(a) firms' ability to compete, and does not adequately ensure that only 8(a) firms with economically disadvantaged owners in need of business development remain in the program. Contracting opportunities are also not equitably distributed to 8(a) participants. In FY 2002, 50 percent of the value of 8(a) contracts went to approximately 2 percent of the 8(a) firms, and over half of the firms received no Federal contract benefit. Additionally, the program's primary database is ineffective and inefficient, and does not contain the information needed to successfully manage the program. An ever-changing Federal contracting arena has created an environment in which reengineering of the 8(a) BD program is needed.

SBA needs to:

- Emphasize business development so 8(a) firms can compete in the American economy;
- Develop, implement, and enforce criteria defining "business success";
- Develop new standards for determining economic disadvantage in order to effectively measure diminished capital and credit opportunities—the definition of success included in the law;
- Ensure a more equitable distribution of contracting opportunities to program participants;
- Provide sufficient training to staff responsible for evaluating firms; and
- Determine data needs to support and manage the program, and implement a system that will support the program mission and objectives and enable the Agency to measure program results.

SBA has taken the following actions to address the weaknesses in the 8(a) BD Program:

- Issued a 7(j) grant, whereby the grantee will provide workshops for 8(a) and other firms to develop Individualized Business Development Plans, including training in, and assistance with, obtaining needed business development;
- Tasked the Associate Administrator for BD, via SBA's FY 2004 Performance Scorecard, to work with Federal agencies so they will distribute their contracts more equitably to 8(a) firms;
- Issued an 8(a) BD Program Standard Operating Procedure, which is expected to be further refined over the next year in order to incorporate improvements recommended by OIG; and
- Drafted a report detailing the program's data needs. The electronic 8(a) application, which is the front end of a new management information system, is now in the testing phase. Implementation of the entire system is scheduled for 2006.

Actions Needed	Progress
Refocus the 8(a) BD program to emphasize business development.	Yellow
Develop criteria defining "business success."	Red
Graduate participants once they reach those levels defined as "business success."	Red
Develop a mechanism that ensures contracting opportunities are more equitably distributed to 8(a) BD program participants.	Yellow
Redefine "economic disadvantage" using objective, quantitative, qualitative, and other criteria that effectively measure capital and credit opportunities.	Red
Provide sufficient financial and analytical training to business opportunity specialists to enable them to evaluate a company's business profile and competitive potential.	Yellow
Determine data needs to support and manage the program and implement a management information system that will support the program mission and objectives, provide useful information, and enable SBA to measure program results.	Yellow(New)

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress



**Challenge 8. SBA needs to enforce its rules to deter firms receiving small business set-aside, 8(a), or small disadvantaged business (SDB) price evaluation preference contracts from passing through large portions of the procurement to other firms.**

While SBA has rules restricting the amount of a contract that a company receiving a small business set-aside contract, 8(a) contract, or SDB price evaluation preference may subcontract or “pass through” to other firms, these rules have not been fully adhered to. OIG audits found that large companies received substantial financial benefit through small business set-aside contracts. For example, there were contracts for computer equipment where 80 percent or more of the contract costs were realized by large computer manufacturers. Therefore, the SBA’s mission to help small businesses was not being fully realized and the intended purpose of set-aside contracts was not being met.

SBA has issued regulations that (1) include a new standard for value-added resellers and (2) address the definition of manufacturing. These regulations were effective January 28, 2004, and June 21, 2004, respectively. If existing and recently issued regulations are properly administered and enforced, they should preclude agencies from counting a procurement as a small business procurement when participants make only minor (or no) modifications to the products of large and other manufacturers. After the new regulations have been in effect for at least a year, we will determine whether this challenge has been resolved.

Action Needed	Progress
Tighten the definition of “manufacturing” to preclude the practice of making only minor modifications to the products of large and other manufacturers.	Yellow

**Green**-Implemented **Yellow**-Progress being made **Red**-Not implemented/no substantial progress

### Challenge 9. Preventing loan agent fraud requires additional measures.

Fraud in the business loan program continues to be a problem, with loan packagers and other for-fee agents frequently playing a role with limited, or no, oversight by SBA. Although the loans involving fraudulent loan agent schemes that have been identified thus far represent a small percentage of SBA's total portfolio, they have involved hundreds of millions of dollars. Due to the fact that SBA does not have an effective mechanism for ensuring disclosure of loan agents, or a database containing such information, the scope of the problem is unknown. Without corrective measures, the Agency leaves itself vulnerable to potential risk. If SBA systematically identified loan agents, it could track loan agents' association with individual loans in order to identify patterns of potentially fraudulent behavior and prevent further harm. Several years ago, SBA drafted a modification to an existing compensation agreement (SBA Form 159) in order to gather identification information from loan agents. Unfortunately, this effort was never completed.

A previous "action needed" item that was identified in the FY 2004 OIG report on management challenges stated that loan agents should be *required* to provide SBA with the information and releases necessary to conduct criminal background checks. The OIG has eliminated this action item for now, but reserves the right to reinstate it at a future point.

Regarding the remaining "action needed," SBA has begun to implement its E-Tran system, which is designed to collect loan data electronically from lenders who *voluntarily* participate. The Agency has reserved data fields for names and addresses of loan packagers and brokers. However, it is not clear whether lenders will provide the names of individual loan agents, their firms' names, or—as was shown in one case—just the names of the lender's own employees. Other than an individual's name, data fields for the most definitive identifiers—date of birth, place of birth, and Social Security Number—have not been reserved. Thus far, relatively few lenders have signed up to use E-Tran, although some are large lenders. In addition, there is evidence of early data quality problems. The Agency is also not yet certain how it will obtain loan agent information from lenders that do not participate in E-Tran. According to the Chief Operating Officer, SBA will ask for loan agents' identifying information on a *voluntary* basis, and obtain Office of Management and Budget approval and public comments for this new information collection. The Agency will also work with banks (and presumably other lenders) to ensure that E-Tran information is valid and reliable, and will solve existing E-Tran data quality problems. Nevertheless, unless SBA requires disclosure of basic loan agent information, e.g., name and address of the company and names of the individuals involved, and compiles this information in a database, it will not be able to make substantial progress in this area. In addition, SBA should seek voluntary disclosure of each loan agent's Social Security Number, date of birth, place of birth, and the tax identification number of his/her firm.

Action Needed	Progress
SBA systematically identifies all loan agents and tracks their association with individual loans. This process would include requesting the provision of loan agents' personal identifiers on a voluntary basis and maintaining this data in an electronic database.	Red

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress

**Challenge 10. SBA needs to update its system of directives to provide proper guidance and control over its operations.**

SBA's system of directives—used to instruct its staff and resource partners on the policies and procedures necessary to conduct Agency-related activities—is breaking down. This system is critical because it is the primary means for managing billions of dollars in loan guarantees and other financing, as well as a variety of other programs. Expired Policy and Procedural Notices continue to be used, while drafts of proposed Standard Operation Procedures (SOP) are sometimes used prior to undergoing Agency clearance procedures. In other cases, directives that have become obsolete are not updated. Unless corrective actions are taken, SBA employees and participants in SBA programs will continue to exhibit confusion about applicable procedures and interpret Agency requirements in an inconsistent manner. In addition, the resulting uncertainty can waste time and money, delay service delivery to small businesses, create a negative public image, and produce unforeseen consequences.

The overall directives system needs to be significantly overhauled. As recommended by the OIG, SBA formed a working group to develop a plan for revising the directives system's structure. The plan was finalized in November 2003. It calls for SBA to complete, by July 2005, a review of all directives in existence as of October 1, 2003, in order to ensure that any backlog of obsolete or draft directives is cleared out, and that all applicable expired notices are incorporated into SOPs.

In addition, SBA had circulated internally a draft policy notice to revise the clearance procedures for future permanent and temporary directives. Although the notice was cleared by most SBA offices, it was never issued. Consequently, the Chief of Staff at the time issued an executive memorandum directing offices to put into clearance SOP revisions and incorporate all relevant temporary directives pertaining to permanent policy changes into their SOPs by March 30, 2004. Some directives were hastily placed into clearance, with a corresponding decrease in quality. The process has since slowed.

Nonetheless, according to SBA officials, program offices continue to revise their SOPs to incorporate outstanding temporary directives. The working group is completing the new SOP that governs directives management. This SOP was scheduled to be ready for clearance on September 30, 2004. Moreover, the working group plan has recommended that any new SBA program should have an SOP in place within ten months of the program's effective date. Finally, SOPs not previously available on SBA's Web site are being scanned in electronically to make them more accessible to users.

Action Needed	Progress
Fully implement a revision of SBA's directives system, including revising out-of-date directives and implementing an ongoing periodic review mechanism to ensure they are kept up-to-date.	Yellow

**Green**-Implemented **Yellow**-Progress being made **Red**-Not implemented/no substantial progress

**Challenge 11. The current structure and oversight practices of the SBIC program place too much risk on taxpayer money.**

SBIC program officials estimate that, given the rapidly mounting losses in the portfolio, the cumulative cost of the program to the Federal Government is projected to be almost \$2 billion on an outstanding portfolio of \$5 billion. Although the venture capital industry is designed to assume substantial risk in support of new and growing businesses, the structure of the SBIC program and funding process has contributed significantly to losses in recent years. SBA's "profits" are not proportional to the investment that the agency makes in SBICs, and insufficient incentives exist to encourage SBICs to pay back principal debt to SBA as quickly as possible. Moreover, the subsidy model underestimates the cost of the program, with the technical assumptions more optimistic than actual performance.

Over the last 10 to 15 years, GAO and the OIG have found that SBA's policy of allowing extensive time for financially troubled SBICs to attempt rehabilitation has allowed SBIC assets to decrease and reduced SBA's potential for recovery. SBA's policy of allowing capially-impaired SBICs to charge significant management fees and the way SBA applies distributable gains from SBICs also contribute to program losses. The SOP for the SBIC program has not been revised since March 1989, and existing guidance does not provide a systematic approach for estimating the level of financial risk, ensuring the implementation of restrictive operations, transferring capially impaired SBICs to liquidation status, or liquidating SBICs receiving participating securities.

According to program officials, actions are being taken which will strengthen the assessment and management of financial and regulatory risks inherent in the program. A new SOP is in the clearance process. SBA has also submitted a legislative proposal to Congress to increase its fees and share of profit earnings, and improve the program's ability to limit risk and prevent major avoidable program losses. It has not been passed by the Congress as yet. Although such legislation would be helpful, the Agency should act to limit program losses without waiting for legislative revisions. For example, while capially impaired participating securities SBICs have been transferred to liquidation, timely actions have not been initiated to commence their liquidation. Officials should continue to pursue legislative reforms and implement procedures to bring about effective and timely liquidation of capially impaired SBICs.

Actions Needed	Progress
Revise the subsidy model estimation methodology to develop more realistic technical assumptions.	Yellow ↑
Submit and pursue legislative proposals that will more effectively protect the Federal Government's financial interest, by appropriately increasing fees and SBA's share of profit earnings, and by placing SBA in a more favorable position for maximizing recoveries.	Green ↑
Develop and implement management fee policies that will slow the erosion of assets of capially impaired SBICs.	Green ↑
Provide documented analysis justifying the need for the: (1) concept of forbearance, (2) forbearance periods, and (3) capital impairment percentages.	Yellow ↑
Implement more systematic criteria and a more timely approach for transfers to liquidation.	Yellow
Develop and implement an effective control process for liquidating participating securities.	Red
Include in a revised SOP the items recommended in the OIG's FY 2003 SBIC audit to:	Yellow
• perform and document quarterly risk assessments, including an analysis of repayment potential, and recommended actions, and	Yellow
• ensure the timely and consistent implementation of restrictive operations.	Yellow

Green-Implemented Yellow-Progress being made Red-Not implemented/no substantial progress

## Appendix 1: Relevant Reports

Most of the SBA OIG reports listed can be found at: [www.sba.gov/ig/igreadingroom.html](http://www.sba.gov/ig/igreadingroom.html).

### Challenge 1:

- GAO, *Status of Achieving Key Outcomes and Addressing Major Management Challenges*, Report # GAO-01-792, June 2001.
- SBA OIG, *Results Act Performance Measurement for the Section 8 (a) Minority Small Business and Capital Ownership Development Program*, Report # 1-11, March 27, 2001.
- SBA OIG, *Results Act Performance Measurement for the Disaster Assistance Program*, Report # 1-06, February 15, 2001.
- SBA OIG, *Results Act Performance Measurement for the Section 7(a) Business Loan Program*, Report # 1-01, December 4, 2000.
- SBA OIG, *Advisory Memorandum: Data Issues Regarding the Processing Centers*, Report #00-09-01, September 28, 2000.
- SBA OIG, *Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs*, Report #00-09-02, September 28, 2000.
- SBA OIG, *Results Act Performance Measurement for the Surety Bond Guarantee Program*, Report #0-26, September 25, 2000.
- SBA OIG, *Results Act Performance Measurement for the Small Business Investment Company*, Report #0-25, September 6, 2000.
- SBA OIG, *Audit of SBA's FY 2003 Financial Statements, Management Letter*, Report #4-17, March 23, 2004

### Challenge 2:

- *Small Business Administration: Model for 7(a) Program Subsidy Had Reasonable Equations, but Inadequate Documentation Hampered External Reviews*, GAO-04-9, March 31, 2004
- SBA OIG, *Audit of SBA's FY 2003 Financial Statements Management Letter*, Report #4-17, March 23, 2004
- SBA OIG, *Audit of SBA's FY 2003 Financial Statements*, Report #4-10, January 30, 2004
- SBA OIG, *Audit of SBA's FY 2002 Financial Statements Management Letter*, Report #3-24, April 14, 2003
- SBA OIG, *Audit of SBA's FY 2002 Financial Statements*, Report #3-06, January 30, 2003
- GAO, *Accounting Anomalies and Limited Operational Data Make Results of Loan Sales Uncertain*, GAO-03-87, January 2003
- SBA OIG, *Audit of SBA's Oversight of the Fiscal Transfer Agent for the Section 7(a) Loan Program*, Report #03-08, January 30, 2003
- SBA OIG, *Audit of SBA's FY 2001 Financial Statements Management Letter*, Report #2-17, April 12, 2002
- SBA OIG, *Audit of SBA's FY 2001 Financial Statements*, Report #2-04, February 27, 2002.
- SBA OIG, *Audit of SBA's FY 2000 Financial Statements Management Letter*, Report #1-15, August 15, 2001
- SBA OIG, *Audit of SBA's FY 2000 Financial Statements*, Report #1-08, February 28, 2001

### Challenge 3:

- SBA OIG, *Audit of SBA's Exchange Email System*, Report #4-42, September 10, 2004.
- SBA OIG, *Audit of Selected SBA General Support Computer Operating Systems*, Report #4-41, September 10, 2004.
- SBA OIG, *Audit of SBA's Information System Controls*, Report #4-19, April 29, 2004.
- SBA OIG, *Audit of SBA's Loan Application Tracking System*, Report #4-18, April 5, 2004.
- SBA OIG, *Enforcement of SBA Information Technology Enterprise Architecture During Development of the Disaster Credit Management System*, Report #4-14, March 2, 2004.



- SBA OIG, *Monitoring of SBA's Implementation of its Disaster Credit Management System*, Report #3-39, September 24, 2003.
- SBA OIG, *Independent Evaluation of SBA's Computer Security Program*, Advisory Memorandum Report #3-37, September 17, 2003.
- SBA OIG, *Audit of SBA's Acquisition, Development and Implementation of its Joint Accounting and Administrative Management System*, Report #3-32, June 30, 2003.
- SBA OIG, *Audit of SBA's Information System Controls*, Report #3-20, March 31, 2003.
- SBA OIG, *SBA's Implementation of its Critical Infrastructure Protection Program, Phase III*, Report #3-03, January 10, 2003.

#### Challenge 4:

- SBA OIG, *Management Advisory Report on the Transfer of Operations to the National Guaranty Purchase Center*, Report #4-39, August 31, 2004
- GAO, *Small Business Administration: Progress Made, but Transformation Could Benefit from Practices Emphasizing Transparency and Communication*, GAO-04-076, October 2003.
- OMB, *The President's Management Agenda and OMB's Human Capital Scorecard*, <http://www.results.gov/agenda/fiveinitatives.html> <http://www.results.gov/agenda/departmentsupdates12.html>
- GAO, *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-699, July 2003
- GAO, *Small Business Administration: Workforce Transformation Plan is Evolving*, GAO-02-931T, July 16, 2002.
- SBA OIG, *Modernizing Human Capital Management*, Report #2-20, May 31, 2002.
- GAO, *Small Business Administration: Current Structure Presents Challenges for Service Delivery*, GAO-02-17, October 2001.
- GAO, *Small Business Administration: Steps Taken to Better Manage its Human Capital, but More Needs to be Done*, GAO/T-GGD/AIMD-00-256, July 20, 2000.
- OIG, *A Framework for Considering the Centralization of SBA Functions*, November 1996.

#### Challenge 5:

- SBA OIG, *Management Advisory Report on the Transfer of Operations to the National Guaranty Purchase Center*, Report #4-39, August 31, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #4-38, August 24, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #4-33, July 30, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #4-28, July 9, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #4-25, June 22, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #4-06, January 8, 2004
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #3-38, September 22, 2003
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #3-30, June 19, 2003
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #3-27, May 22, 2003
- SBA OIG, *Audit of the Guaranty Purchase Process*, Report #3-15, March 17, 2003
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #3-07, January 23, 2003
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-32, September 30, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-30, September 24, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-23, August 7, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-15, March 29, 2002
- SBA OIG, *Improvements are Needed in Small Business Lending Company Oversight Process*, Report #2-12, March 21, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-03, February 27, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #2-05, February 27, 2002
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #1-10, March 9, 2001.
- GAO, *Major Management Challenges and Program Risks*, GAO-01-260, January 2001.

- SBA OIG, *Audit of an Early Defaulted Loan*, Report #0-10, April 23, 2000.
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #0-12, March 28, 2000.
- SBA OIG, *Audit of an Early Defaulted Loan*, Report #0-05, February 14, 2000.
- SBA OIG, *Business Loan Guarantee Purchases*, Report #7-5-H-011-026, September 30, 1997.

### Challenge 6:

- GAO, Small Business Administration: *New Service for Lender Oversight Reflects Some Best Practices, But Strategy for Use Lags Behind*, GAO-04-610, June 8, 2004.
- GAO, *Continued Improvements Needed in Lender Oversight*, Report # 03-90, December 2002.
- SBA OIG, *Impact of Loan Splitting on Borrowers and SBA*, Advisory Memorandum Report #2-31, September 30, 2002.
- SBA OIG, *Improvements needed in SBLC Oversight*, Advisory Memorandum Report, #2-12, March 20, 2002.
- SBA OIG, *Preferred Lender Oversight Program*, Report # 1-19, September 27, 2001.
- SBA OIG, *SBA Follow-up on SBLC Examinations*, Report # 1-16, August 17, 2001.

### Challenge 7:

- SBA OIG, *Business Development Provided by SBA's 8(a) Business Development Program*, Report #4-22, June 2, 2004.
- SBA OIG, *SACS/MEDCOR: Ineffective and Inefficient*, Report #4-15, March 9, 2004.
- SBA OIG, *Section 8(a) Program Continuing Eligibility Reviews*, Report #4-3-H-006-021, September 30, 1994.

### Challenge 8:

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## APPENDIX 6

### PART SBA ACTIONS IN RESPONSE TO OMB'S PART EVALUATIONS

#### **SCORE**

In FY2003, the SCORE program underwent a second OMB's PART process with the result that the numerical score for the program was raised substantially in almost all areas under assessment. As a volunteer program where the value of the counseling volunteerism is conservatively estimated in excess of \$65 million versus appropriated funds of \$5 million, the value and results from this program versus the cost are significant. For FY2004, SCORE will meet or exceed its annual target goal for clients counseled and trained and increase its online counseling of total counseling sessions to almost 35%. In addition, SCORE goals and outcome measures were incorporated into SBA's strategic plan and performance criteria were incorporated into management evaluations.

In response to the FY2004 PART process, the Administration committed to developing outcome-oriented annual and long-term goals and measures and undertaking an evaluation of the program's effectiveness to include such issues as duplication with other federal programs. The Administration developed and/or refined annual outcome goals for this program based on the capacity of the SCORE program and SBA to capture the appropriate information. It revised the intake forms which collect client counseling and training information to improve the capture of impact data and continued with development of EDMIS2, a centralized database. In FY2004, SBA's Office of Entrepreneurial Development (ED) conducted SBA's first independent impact survey of its technical assistance programs, creating a baseline from which performance measurements and future outcome goals can be developed. ED has also begun the process of developing SBA's first methodology by which it will evaluate independently its programs, including SCORE, completing at least one by FY2005.

#### ***Small Business Development Centers (SBDCs)***

As the largest of SBA's Entrepreneurial Development programs, the SBDC program made a number of improvements to its planning, management and results/accountability areas to enable its FY2005 PART scoring to improve quite dramatically. Among those were strengthening grantee reporting, drafting legislative changes to develop partial funding for incentive-based performance and clarifying the unique role of the program.

In response to the FY2004 PART process, the Administration committed to developing outcome-oriented annual and long-term goals and measures and undertaking an evaluation of the program's effectiveness to include such issues as duplication with other federal programs. The Administration developed and/or refined annual outcome goals for this program based on the capacity of the SBDC program and SBA to capture the appropriate information. It revised the intake forms which collect client counseling and training information to improve the capture of impact data and continued with development of EDMIS, a centralized database. By end of 3rd quarter FY2004, SBA's first independent impact survey of all its Entrepreneurial Development programs will have been completed, creating a baseline from which performance measurements and future outcome goals can be developed. The Administration has also begun the process of developing the methodology by which it will evaluate its Entrepreneurial Development programs, including SBDCs, and complete at least one program evaluation by FY2005.

### **Business Information Centers (BICs)**

The Business Information Centers (BICs) underwent careful scrutiny as part of the FY2004 and FY2005 PART process resulting in an internal re-evaluation of the centers to determine their usefulness and effectiveness. Issues involved management oversight, performance measures, uniqueness of role and mission, incentive-based performance and cost benefit. In response to the PART process, in order to reduce program costs and increase community integration, SBA redefined this initiative from a program to a resource tool available to SBA field offices and resource partners. There is no funding for Business Information Centers in FY2005.

### **504 Loans**

The PART findings are being addressed in the following manner:

1. The 2004 Budget proposes to increase program evaluations to determine the factors that affect both demand and performance in the 504 and 7(a) programs.

The Agency has established the office of Policy and Planning and it is in the process of establishing the Office of Analysis, Planning and Accountability. CA will be working with them to study demand and performance measures.

2. The proposed funding for evaluations would also be used to compare the cost of 504, private sector, and 7(a) loans.

The Agency currently does not have the process or ability to track and report either longevity or revenues increase for the 7(a), 504, or MicroLoan Programs. Our FY2005 budget estimate requests funds to contract with a private sector vendor to demonstrate how our programs correlate to these outcomes – longevity and revenues increase.

3. Through a proposed regulation, SBA will solicit the public's view on developing long-term goals for its strategic plan and increasing borrower choice for 504 and 7(a) loans.

SBA has solicited public comments regarding proposed changes the 504 program. The proposed rule received over 1900 comments from bankers, lenders, program participants and small business people. Prior to publishing the final rule, the Agency also received approximately 80 comments. Including input from the public, SBA published the final rule.

The final rule should increase both the number of 504 loans made nationally, and also increase the number of intermediaries that participate in the program. Previously, many CDC's had exclusive territories that limited the penetration into the small business community. With the publishing of the final rule, competition will be introduced that allows CDC's to do statewide lending. SBA believes that the program will increase its lending to small businesses nationally.

SBA has incorporated the 504 program into the SBA strategic plan. The plan covers both the continued efforts to improve the program, outcomes/deliverables that will be attained annually and long term objectives. As a result of the comments received in the final rule, SBA will further refine the goals within the strategic plan in FY04.

### **Disaster Loan Program**

1. Implementing technology and processes to reduce administrative costs.

Developing the Disaster Credit Management System (DCMS)

During FY2004, the DCMS team completed the User Validation Test, where DCMS functionality was exercised and tested by more than 40 ODA personnel during the period of May 24-27, 2004. Then, just three and a half weeks later, the team kicked off Limited Availability Release (LAR) Phase 1 in Disaster Area Office 2. LAR Phase I marked the first real-world test of DCMS using actual ODA case files in a DAO work environment, further testing the system by introducing the many variations that are found in real application scenarios.



Since that time, the DCMS System and Database Administration team has focused on configuring and testing the production servers and scanning architecture to satisfy DCMS Security Plan and SBA Certification and Accreditation (C&A requirements).

In addition, detailed training exercises have been developed, conducted and continue to be scheduled (nation-wide) to take advantage of Web-enabled interactive capabilities and provide DCMS users with the hands-on experience they need prior to going live with DCMS. In LAR Phase II, ODA will select an appropriately sized disaster and process applications associated with that disaster using DCMS from an area office. ODA staff using DCMS will process real loan applications, interface to other systems to pull credit information, issue checks and manage the entire loan process. At this point, DCMS will be in live production.

Strengthen administrative procedures relating to program eligibility.

Revision of the Credit Elsewhere Test Guidelines that determine interest rates on disaster loans.

ODA revised and strengthened Credit Elsewhere guidelines to identify borrowers who can obtain private sector financing at reasonable terms. The new guidelines address OIG concerns by eliminating arbitrary thresholds as well as implementing a benchmark credit score for disaster home loans and a relationship analysis between the disaster loss and a business applicant's working capital and available net worth. It is expected that these revisions will have a favorable impact on the disaster loan subsidy cost.

## APPENDIX 7

### *SBA Internet Links*

#### ***SBA Sites You Can Use***

The SBA home page is [www.sba.gov](http://www.sba.gov). All of the program agencies may be accessed from this site; however, several of the more frequently visited sites are listed below:

#### ***SBA Information***

Who We Are and What We Do:

<http://www.sba.gov/aboutsba/index.html>

Ask SBA!:

<http://www.sba.gov/aboutsba/index.html>

Find Your Local Office:

<http://www.sba.gov/regions/states.html>

What's New?:

<http://www.sba.gov/news/indexwhatsnew.html>

SBA En Espanol:

<http://www.sba.gov/espanol/>

Ombudsman:

<http://www.sba.gov/ombudsman/>

Online Library:

<http://www.sba.gov/library/>

Small Business Classroom:

<http://www.sba.gov/classroom/>

#### ***For Start-up Businesses***

What is a Small Business?:

<http://www.sba.gov/starting/indexwhatis.html>

Starting Your Business:

<http://www.sba.gov/starting/>

Frequently Asked Questions:

[http://www.sba.gov/starting\\_business/index.html](http://www.sba.gov/starting_business/index.html)

Your First Steps:

<http://www.sba.gov/starting/indexsteps.html>

Start-up Kit:

<http://www.sba.gov/starting/indexstartup.html>

Training:

<http://www.sba.gov/starting/indextraining.html>

Business Plans:

<http://www.sba.gov/starting/indexbusplans.html>

Outside Resources and Business Hotlinks:

<http://www.sba.gov/hotlist/>

#### ***For Established Businesses***

Financing Your Business:

<http://www.sba.gov/financing/>

Loan Programs:

<http://www.sba.gov/financing/indexloans.html>

Loan Forms:

<http://www.sba.gov/library/forms.html>

PRIME:

<http://www.sba.gov/financing/sbapartner/prime.html>

Surety Bond:

<http://www.sba.gov/financing/bonds/whatis.html>

Business Opportunities:

<http://www.sba.gov/expanding/>

#### ***Contracting With The Government***

Government Contracting:

<http://www.sba.gov/GC/>

PRO-Net:

<http://pro-net.sba.gov/>

#### ***Disaster Assistance***

Disaster Assistance Information:

<http://www.sba.gov/disaster/general.html>

Disaster Area Office Locations:

<http://www.sba.gov/disaster/dao.html>

Loan Information:

<http://www.sba.gov/disaster/loans.html>

FEMA Information:

<http://www.sba.gov/disaster/fema.html>

## APPENDIX 8

### ACRONYMS

**504 504 Loan Program**

Provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment. For more information, please go to <http://www.sba.gov/financing/sbaloan/cdc504.html>.

**7(a) Basic 7(a) Loan Guaranty Program**

The SBA's primary loan program. Provides general loan financing for a wide variety of purposes. SBA guarantees small business loans for virtually every business purpose. For more information, please go to <http://www.sba.gov/financing/sbaloan/7a.html>.

**8(a) 8(a) Business Development Program**

This program assists firms owned and controlled by socially and economically disadvantaged individuals to enter and succeed in the economic mainstream. For more information, please go to <http://www.sba.gov/businessop/programs/8a.html>.

**ABB Activity Based Budgeting**

A costing methodology that focuses on activity information to determine a resources budget. For more information, please go to <http://www.sba.gov/cfo/abb.html>

**ABC Activity Based Costing**

A costing methodology that uses activity information to measure the cost and performance of activities, resources and cost objects. Resources are assigned to activities; then activities are assigned to cost objects based on their use. For more information, please go to <http://www.sba.gov/cfo/abc.html>

**AICPA American Institute of Certified Public Accountants**

The National, professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. The AICPA sets non-Federal accounting standards and influences the Federal Accounting Standard Board's establishment of Federal accounting standards. For more information, please go to <http://www.aicpa.org/index.htm>

**BATF Business Assistance Trust Fund**

A trust fund in the U.S. Treasury maintained to receive and account for donations made by private entities for activities to assist small business. SBA authorizes BATF disbursements in accordance with the donor's intention to assist small business.

**BD Business Development**

Uses the SBA's statutory authority to provide business development and Federal contract support to small disadvantaged firms. Manages the business development 8(a) and 7(j) programs. For more information, please go to <http://www.sba.gov/BI/>.

**BICs Business Information Centers**

Provides hardware, software and telecommunications at multiple locations to help small businesses start and grow. BIC counseling and training are provided by the Service Corps of Retired Executives (SCORE) and other SBA partners and community organizations. For more information, please go to <http://www.sba.gov/gopher/Local-Information/Business-Information-Centers/Bics/>

**BLIF Business Loan and Investment Fund**

The Treasury fund used to maintain the accounting records of loans approved prior to 1992. It includes activity on direct loans, loan guarantees and defaulted guarantees purchased by SBA. Loans approved subsequent to FY 1991 are maintained in another set of accounts under Federal Credit Reform guidelines.

**CA Capital Access**

The Office of Capital Access (OCA) is responsible for small business program loans, lender oversight, the investment company program, the surety bond program and international trade.

**CDC Section 504 Certified Development Company Debenture Program**

A participating CDC issues debentures to private investors to finance transactions with small business borrowers. SBA's guaranty covers 100 percent of the debenture financing, and the Agency honors its guarantee to the investor through a single Central Servicing Agent (CSA). For more information, please go to <http://www.sba.gov/financing/sbaloan/cdc504.html>.

**CFO Chief Financial Officer**

The Chief Financial Officer is responsible for the financial leadership of the Agency. This includes responsibility for all Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes. For more information, please go to <http://www.sba.gov/cfo/>.

**CFR Code of Federal Regulations**

The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. For more information, please go to <http://cfr.law.cornell.edu/cfr/>

**CIO Chief Information Officer**

The Chief Information Officer is responsible for the management of information technology for the Agency, including the design, implementation and continuing successful operation(s) of information programs and initiatives.

**COSO Committee of Sponsoring Organizations of the Treasury Commission**

A framework for internal controls. For more information, please go to <http://www.coso.org/>

**COTS Commercial Off-The-Shelf**

Software readily available for purchase rather than specially developed when needed.

**CSRS Civil Service Retirement System**

The CSRS originated in 1920 and has provided retirement, disability and survivor benefits for most civilian employees in the Federal government. For more information, please go to <http://www.opm.gov/retire/html/library/csrs.asp>

**DA Disaster Assistance**

The Office of Disaster Assistance promotes economic recovery in disaster ravaged areas. In the wake of physical disasters, SBA's loans are the primary form of Federal assistance for non-farm, private sector disaster losses for individuals and businesses. For more information, please go to [http://www.sba.gov/disaster\\_recov/loaninfo/property.html](http://www.sba.gov/disaster_recov/loaninfo/property.html).

**DLF Disaster Loan Fund**

Assists eligible small businesses impacted by the disasters. For more information, please go to [http://www.sba.gov/disaster\\_recov/index.html](http://www.sba.gov/disaster_recov/index.html)

**DSO Designated Security Officer**

The individual designated by the head of an office to be responsible for the implementation and management of the Information Technology Security Program within his/her organization.

**ED Entrepreneurial Development**

The Office of Entrepreneurial Development (ED) provides management and business development assistance through a network of over 1,500 resource partner locations. For more information, please go to <http://www.sba.gov/ed/>.

**EFT Electronic Funds Transfer**

Electronic payments and/or collections.

**ERP Enterprise Resource Plan**

The automation of a unit which includes interlinking of various departments.

**EWCP Export Working Capital Program**

An SBA program that allows the SBA to provide lenders with a repayment guaranty of up to \$1 million or 90 percent on short-term working capital loans that participating lenders make to small business exporters. For more information, please go to <http://www.sba.gov/financing/loanprog/ewcp.html>.

**FACA Federal Advisory Committee Act**

An act to authorize the establishment of a system governing the creation and operation of advisory committees in the executive branch of the Federal Government. For more information, please go to <http://www.accessreports.com/statutes/FACA.htm>

**FACTS Federal Agencies Centralized Trail Balance System**

Computer program that enables Federal program agencies to electronically report budget execution information to the U.S. Department of the Treasury. For more information, please go to [http://www.fms.treas.gov/factsi/forms\\_cfo\\_aup\\_02.doc](http://www.fms.treas.gov/factsi/forms_cfo_aup_02.doc)

**FASAB Federal Accounting Standards Advisory Board**

Promulgates accounting principles for Federal Government reporting entities. For more information, please go to <http://www.fasab.gov/>

**FASB Financial Accounting Standards Board**

Establishes and improves standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information. For more information, please go to <http://www.fasb.org/>

**FBI Federal Bureau of Investigation**

The investigative arm of the U.S. Department of Justice. For more information, please go to <http://www.fbi.gov/homepage.htm>

**FCRA Federal Credit Reform Act**

The Federal Credit Reform Act of 1990 was enacted to provide a more realistic picture of the cost of U.S. Government direct loans and loan guarantees. The credit subsidy cost of direct loans and loan guarantees is the net present value of the estimated long-term cost to the Government for these credit activities, exclusive of administrative expenses. For more information, please go to <http://www.fms.treas.gov/ussgl/creditreform/fcra.html>

**FECA Federal Employees' Compensation Act**

Provides compensation benefits to Federal civilian employees for work-related injuries or illnesses and to their surviving dependents if a work-related injury or illness results in the employee's death. For more information, please go to <http://www.nalc1414.org/FECA%20-%20The%20Act.pdf>



**FEDSIM Federal Systems Integration and Management Center**

A program of the GSA's Office of Information Technology Integration providing client services on a fee-for-service basis. It is the Federal Government's voluntary source of technical IRM expertise.

**FEGLI Federal Employees Group Life Insurance**

This is the largest group life insurance program in the world, covering over 4 million Federal employees and retirees, as well as many of their family members. For more information, please go to  
<http://www.opm.gov/insure/life/index.asp>

**FEHB Federal Employees Health Benefit**

Provides health insurance benefits to over 8 million Federal enrollees and dependents. For more information, please go to  
<http://www.opm.gov/insure/health/index.asp>

**FEMA Federal Emergency Management Agency**

FEMA is a former independent agency became part of the new Department of Homeland Security in March 2003. It is tasked with responding to, planning for, recovering from and mitigating against disasters. For more information, please go to  
<http://www.fema.gov/>

**FERS Federal Employees' Retirement System**

FERS became effective in 1987, and most Federal civilian employees hired after 1983 are covered by this retirement system. Many of the FERS features are portable so that employees who leave Federal employment may still qualify for the benefits. For more information, please go to  
<http://www.opm.gov/retire/index.asp>

**FFB Federal Financing Bank**

The FFB is a Government corporation established to centralize and reduce the cost of Federal and federally-assisted borrowing from the public. For more information, please go to  
<http://www.ustreas.gov/ffb/>

**FFS Federal Financial System**

A central standardized accounting system is used during the 1990s in SBA, and later replaced by an Oracle-based administrative accounting system.

**FICA Federal Insurance Contribution Act**

The Act establishing a social security tax, a largely self-supporting program for employees.

**FMFIA Federal Managers Financial Integrity Act**

The Act primarily requiring ongoing evaluations and reports on the adequacy of the internal accounting and administrative control systems of executive agencies. For more information, please go to  
<http://www.whitehouse.gov/omb/financial/fmfia1982.html>

**FY Fiscal Year**

The SBA fiscal year begins on October 1st and ends the following September 30th.

**GAO General Accounting Office**

The GAO is the audit, evaluation and investigative arm of Congress. GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and ensure the accountability of the Federal Government for the American people. For more information, please go to <http://www.gao.gov/>.

**GC/BD Government Contracting and Business Development**

GC/BD works to create an environment for maximum participation by small, disadvantaged and woman-owned businesses in Federal Government contract awards and large prime subcontract awards. For more information, please go to  
<http://www.sba.gov/GC/>.

**GISRA Government Information Security Reform Act**

The Act that requires Federal agencies to perform an internal risk assessment of their electronic information systems and security processes.

**GPR Guaranty Purchase Review**

The GPR program was instituted to coordinate the review of a random sample of guaranty loan purchases completed by each SBA district office. The GPR is a means to improve the guaranty purchase process.

**GPRA Government Performance and Results Act**

The Act enacted primarily to require strategic planning and performance measurement in the Federal Government. For more information, please go to <http://www.whitehouse.gov/omb/mgmt-gpra/gplaw2m.html>

**GRTS Guaranty Repair Tracking System**

As part of its portfolio management, SBA must identify and evaluate situations where a lender's actions or omissions are severe enough to consider reducing or denying liability under the Agency's 7(a) guaranty on a loan. SBA refers to a reduction of the guaranty percentage as a guaranty repair. The SBA implemented a system to track loan guaranty problems and identify lender performance trends related to guaranty issues.

**HUB Historically Underutilized Business-Zone**

Encourages economic development in historically underutilized business zones (HUBZones) through the establishment of Federal contract award preferences for small businesses located in such areas. After determining their eligibility, the SBA lists qualified businesses in its PRO-Net® database. For more information, please go to <http://www.sba.gov/businessop/programs/hubzone.html>.

**IRM Information Resource Manager**

Information technology resources are approved for purchase by the Agency Information Resource Manager. The IRM is also responsible for determining what level of approval is required for each item.

**IT Information Technology**

Includes matters concerned with the design, development, installation, and implementation of information systems and applications.

**ITL International Trade Loan**

Offers long-term financing to small companies engaged in or preparing to engage in international trade, as well as to small businesses adversely affected by import competition. For more information, please go to <http://www.sba.gov/financing/loanprog/trade-loans.html>.

**JA2MS Joint Accounting and Administrative Management System**

The SBA's current administrative accounting system.

**LAMP Lender Analysis and Management Program**

Assists SBA in reaching its goal of providing field offices and CDC partners with improved oversight and management tools, particularly 504 portfolio risk management.

**LINC Learning, Information, Networking, Collaboration**

A joint effort between the Treasury and the SBA to encourage more private sector business-to-business linkages that enhance the economic vitality and competitive capacity of small businesses, particularly those located in economically distressed urban and rural areas.

**LMS Loan Monitoring System**

The new loan monitoring system aids SBA in managing its core loan guarantee programs and serves as one of the building blocks in the overall systems modernization project.

**Low Low Documentation Loan**

A loan with reduced paperwork used for some loan requests of \$150,000 or less. It uses a one-page application that relies on the strength of the applicant's character and credit history. For more information, please go to <http://www.sba.gov/financing/lendinvest/low-doc.html>.

**M&A Office of Management and Administration**

The Office of Management and Administration (M&A) serves primarily in support of the Office of Capital Access, the Office of Government Contracting and Business Development and the Office of Entrepreneurial Development, as well as other offices located within the Office of the Administrator by directing human resources, information technology, contracting and purchases, grants management and Agency administration.

**MAP Management's Assessment Process**

SBA's term for a Control Self-Assessment workshop. It is a formal, documented process in which the management and/or work teams directly involved in a business function judge the effectiveness of the processes in place and determine if the chance of reaching the business objectives is reasonably assured.

**MD&A Management's Discussion and Analysis**

The MD&A is considered Required Supplementary Information for Federal financial statements and is designed to provide a high level overview of the Agency.

**MRF Master Reserve Fund**

SBA's fiscal and transfer agent maintains this reserve fund to facilitate the operation of the 7(a) secondary market program.

**NCIC National Crime Information Center**

The FBI National Crime Information Center is a Nationwide information system dedicated to serving and supporting criminal justice agencies; local, state and Federal, in their mission to uphold the law and protect the public. For more information, please go to <http://www.fas.org/irp/agency/doj/fbi/is/ncic.htm>

**OCFO Office of the Chief Financial Officer**

The OCFO is responsible for the financial activity of the Agency. This includes Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes. For more information, please go to <http://www.sba.gov/cfo/>.

**OCIO Office of the Chief Information Officer**

Supports and provides guidance for the SBA's Nationwide computer automation and information technology efforts.

**ODA Office of Disaster Assistance**

The ODA promotes economic recovery in disaster ravaged areas. In the wake of physical disasters, SBA's loans are the primary form of Federal assistance for non-farm, private sector disaster losses for individuals and businesses. For more information please go to [http://www.sba.gov/disaster\\_recov/index.html](http://www.sba.gov/disaster_recov/index.html)

**OFA Office of Financial Assistance**

The OFA administers various loan programs to assist small businesses. For more information please go to <http://www.sba.gov/financing/>

**OFO Office of Field Operations**

The OFO provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives

**OGC Office of General Counsel**

The OGC provides advice for senior management, as well as legal support for all of the Agency's programs, initiatives and administrative responsibilities.

**OIG Office of Inspector General**

The OIG conducts and supervises audits, inspections and investigations relating to SBA programs and operations. For more information, please go to <http://www.sba.gov/ig/>

**OLO Office of Lender Oversight**

The OLO provides oversight and evaluation of SBA's lenders and lending programs in order to identify and monitor the risk in the Agency's loan programs. For more information, please go to <http://www.sba.gov/olo/>

**OMB Office of Management and Budget**

The OMB assists the President in overseeing the preparation of the Federal budget and to supervise its administration in Executive Branch agencies. For more information, please go to <http://www.whitehouse.gov/omb/>.

**OPM Office of Personnel Management**

The Federal Government's Human Resource Agency. For more information, please go to <http://www.opm.gov/>.

**ORB Other Retirement Benefits**

SBA recognizes a current operating expense for the future cost of these and other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by the OPM and is offset by the SBA through recognition of an imputed financing source.

**PCECGF The Pollution Control Equipment Contract Guarantee Fund**

PCECGF supports the costs associated with the credit portfolio of pre-October 1991 pollution control equipment loans and guarantees being liquidated by the Agency.

**PCLP Premier Certified Lenders Program**

Covers active certified development companies in good standing in the accredited lenders program.

**PDD Presidential Decision Directive**

Directives are used to promulgate Presidential decisions on national matters.

**PLP Preferred Lender Program**

Program covers certified or preferred lenders that receive full delegation of lending authority. For more information, please go to <http://www.sba.gov/financing/lendinvest/plp.html>.

**PMI Presidential Management Fellows**

Attracts outstanding individuals who have an interest or a commitment to a career in the analysis and management of public policies and programs. For more information, please go to <http://www.pmf.opm.gov/>

**QSR Quality Service Review**

A systematic, proactive and cost-effective management review of SBA's district and branch offices.

**RFA Regulatory Flexibility Act**

The Act requires Federal agencies to prepare a Regulatory Flexibility Analysis to find simpler, less burdensome ways for small businesses, not-for-profit organizations, or small governmental entities to comply with federal requirements. SBA oversees the Act's enforcement. For more information, please go to <http://www.sbaonline.sba.gov/advo/laws/reg-flex.html>

**S&E Salaries and Expenses**

The Salaries and Expenses Fund is funded by appropriations which are used to support the administrative costs incurred in carrying out the missions and functions of the SBA.

**SAS Statement on Auditing Standards**

Establish standards and provide guidance on the design and selection of an audit sample and the evaluation of the sample results.

**SBA Small Business Administration**

A Federal agency of the Executive Branch whose mission is to aid, counsel and protect the interests of small businesses and help families and businesses recover from national disasters. For more information, please go to <http://www.sba.gov/>.

**SBDC Office of Small Business Development Centers**

Delivers management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations. For more information, please go to <http://www.sba.gov/sbdc/sbdcnear.html>.

**SBG Surety Bond Guarantee**

Provides guarantees bid, performance and payment bonds for contracts up to \$2 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels. For more information, please go to <http://www.sba.gov/financing/bonds/whatis.html>

**SBGRF Surety Bond Guarantees Revolving Fund**

Provides assistance to small business contractors in obtaining bid, performance and payment bonds for construction, service and supply contracts.

**SBIC Small Business Investment Company**

Provides equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stages. For more information, please go to <http://www.sba.gov/INV/>.

**SBIR Small Business Innovation and Research**

Provides a vehicle for small businesses to propose innovative ideas in competition for Phase I and Phase II awards, which represent specific research and R & D needs of the participating Federal agencies. For more information, please go to <http://www.sba.gov/businessop/programs/sbirsttr.html>.

**SBLC Small Business Lending Companies**

A group of 14 non-depository small business lending companies listed by Capital Access.

**SBREFA Small Business Regulatory Enforcement Fairness Act**

The Act assists small businesses with unfair and excessive federal regulatory enforcement, such as repetitive audits or investigations, excessive fines, penalties or retaliation by a federal agency. For more information, please go to [http://www.sba.gov/advo/laws/law\\_lib.html#statutes](http://www.sba.gov/advo/laws/law_lib.html#statutes)

**SCORE Service Corps of Retired Executives**

Offers counseling and training for small business owners who are starting, building or growing their businesses. Sponsored by the SBA, SCORE's services are free of charge and are provided by retired or active business volunteers. For more information, please go to <http://www.score.org>.

**SDB Small Disadvantaged Business**

Small business owned and controlled by individual(s) claiming to be socially and economically disadvantaged. For more information, please go to <http://www.sba.gov/sdb/index.html>.

**SDM Systems Development Methodology**

Establishes policies for systems development.

**SESCDP Senior Executive Service Candidate Development Program**

Designed to create pools of qualified candidates for Senior Executive Service positions through training.

**SFFAS Statement of Federal Financial Accounting Standards**

Accounting standards and principles for Federal Government, published by the Federal Accounting Standards Advisory Board, (FASAB).



**SOP Standard Operating Procedure**

Standard Operating Procedures are the primary source of the Agency's internal control.

**SSBIC Specialized Small Business Investment Company**

Provides equity capital, long-term loans, debt-equity investments and management assistance to socially or economically disadvantaged small businesses.

**ST&E Security Test & Evaluation**

Performs Security Test & Evaluation reviews on all of SBA's high-priority computer systems by the CIO.

**TBIC Tribal Business Information Center**

Provides business development assistance to prospective and current reservation-based Native American small business owners. For more information, please go to <http://www.sba.gov/naa/>.

**TOP Treasury Offset Program**

A centralized debt collection program of the Treasury's Financial Management Service. The offset program includes the offset of Federal tax refunds, Federal salary, Federal retirement pay and Federal vouchers, and includes any Federal income benefits paid to a delinquent borrower. For more information, please go to <http://www.fms.treas.gov/debt/top.html>

**TSP Thrift Savings Plan**

A defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. For more information, please go to <http://www.tsp.gov/>

**USEAC U.S. Export Assistance Center**

Offers a full range of federal export programs and services from the SBA, the U.S. Department of Commerce, the Export-Import Bank of the U.S. and other public and private organizations. For more information, please go to <http://www.sba.gov/oit/txt/export/useac.html>.

**WBC Women's Business Center Program**

Provides long-term training and counseling to women owning or managing a business, including financial, management, marketing and technical assistance, and procurement. For more information, please go to <http://www.sba.gov/financing/special/women.html>.

## APPENDIX 9 SBA PROGRAMS AND OFFICES

### **Office of Administration**

The Office of Administration plans, directs and executes all administrative management functions within SBA Headquarters and monitors administrative programs in field offices. The Office of Administration develops policies and procedures for the procurement of supplies, equipment and non-personnel services. This office also implements and manages approved grants and cooperative agreements.

### **Office of Advocacy**

The Office of Advocacy is an independent voice for small business within the federal government. The Office of Advocacy represents the interests of all small entities including small businesses, small organizations and small governmental jurisdictions. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, DC, support the Chief Counsel's efforts.

Since its founding in 1976, the Office of Advocacy has pursued its mission in two ways: by creating research products that help lawmakers understand the contribution of small businesses to the U.S. economy and through regulatory experts who work to convince Federal agencies to consider the impact of their rules on small businesses before those rules go into effect. Recently, Advocacy added a new component to reduce regulatory burdens for small business at the state level by involving its Regional Advocates in promoting state model legislation based on Advocacy's experience with the Federal Regulatory Flexibility Act and Executive Order 13272 (titled "Proper Consideration of Small Businesses in Agency Rulemaking,"). The Office of Advocacy's economic research, regulatory interventions, and model state legislation initiative reduce regulatory barriers that impede small business growth and development.

### **Office of Field Operations**

The Office of Field Operations represents SBA field offices at Headquarters. This office:

- Provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives, and in solving problems in specific operational areas;
- Establishes and monitors performance goals for district offices;
- Provides Associate Deputy Administrators, Associate Administrators and General Counsel with a vehicle for overseeing field office program and policy implementation;
- Provides feedback to Headquarters management regarding the performance of their programs;
- Ensures that field offices have adequate input into all policy formation and participate in policy deliberations at Headquarters;
- Organizes reviews of field offices; and Informs the SBA Administrator of field activity.

### **Office of General Counsel**

The Office of General Counsel provides advice for senior management, as well as legal support for all of the Agency's programs, initiatives and administrative responsibilities. The Office of General Counsel conducts litigation necessary to resolve legal issues, collect sums due and defend the Agency.

### **Office of Human Capital Management**

The Office of Human Capital Management (OHCM) supports the U.S. Small Business Administration (SBA) in better serving the public by developing and providing innovative human capital strategies. The OHCM advises SBA management with respect to selecting, developing and managing a high-quality, productive workforce. This office sets SBA's workforce development strategy; assesses current workforce characteristics and future needs based on SBA's strategic plan; aligns human resources policies with organization mission, strategic goals, and performance outcomes; develops and advocates a culture of continuous learning to attract and retain employees

with superior abilities; identifies best practices and benchmarks studies; and creates systems for measuring intellectual capital and identifying links of that capital to organizational performance and growth. This position also implements laws, rules and regulations governing the civil service.

The OHCM develops policies, procedures and standards to strengthen and improve the Agency's human resources program in the areas of workforce planning and restructuring; employment; compensation and benefits; employee and labor relations; employee development; work/life programs; executive resources; leadership development; and succession planning. This office ensures the implementation, coordination and management of activities that are aligned with crosscutting initiatives such as the President's Management Agenda and SBA's strategic plan.

### **Office of the Chief Financial Officer**

The Office of the Chief Financial Officer (OCFO) conducts and promotes effective financial management activities for the SBA including budget, credit subsidy, financial operations, financial systems and internal controls. Develops and maintains integrated accounting and financial management systems; direct, manage and provide policy guidance and oversight of all agency financial management personnel, activities, and operations; approves and manages financial management systems design and enhancement projects; develops budgets for financial management operations and improvements; implements agency asset management systems; including systems for cash management, credit management, debt collection, and property and inventory management and control; and monitors the financial execution of the agency budget in relation to actual expenditures. This office also helps the Agency develop better performance measures in order to facilitate SBA's continued movement from measuring activity outputs to instead measuring programmatic outcomes. Provides tools and guidance to assist the Agency in expanding its capacity to conduct and utilize the results of program evaluations. Builds Agency capacity for results-based management through training and outreach to program offices and supports the Agency's strategic planning. This office also prepares annual accountability and/or performance reports and establishes and implements Agency-wide policies for

management integrity and audit follow-up, including internal controls.

### **Office of the Chief Information Officer**

The Office of the Chief Information Officer supports and provides guidance for the SBA's Nationwide computer automation and information technology efforts. This office helps SBA field and Headquarters program offices identify the ways automation and technology can improve service delivery, acquire new technology and develop new systems. It also administers the SBA's home page ([www.sba.gov](http://www.sba.gov)).

### **Office of the National Ombudsman**

The Office of the National Ombudsman (ONO) fosters a more small-business-friendly Federal regulatory enforcement environment by assisting small businesses when they experience excessive federal regulatory enforcement actions, such as repetitive audits or investigations, excessive fines, penalties, threats, retaliation or other unfair enforcement action by a federal agency. It does this by evaluating how Federal agencies treat small businesses during enforcement or compliance actions. The ONO receives comments from small concerns and acts as a liaison between them and federal agencies. Comments received from small businesses, are forwarded to federal agencies for a high level review and federal agencies are requested to respond concerning the fairness of their enforcement action. ONO encourages Federal agencies to decrease the number of regulatory enforcement actions taken against small business and increase the number of enforcement actions in which the civil penalty is reduced or waived.

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), directs the Ombudsman to:

- Work with each Federal Agency having regulatory authority over small businesses to ensure that the latter have a means to comment when they receive or are subject to an audit, on-site inspection, compliance assistance effort, or other enforcement-related communication or contact by Agency personnel.
- Establish a means to receive comments confidentially, if requested, from small businesses regarding action by Agency employees conducting compliance or

enforcement activities, and a way to submit comments confidentially, if requested, to the affected Agency.

- Report annually to Congress and affected agencies, evaluating agencies' enforcement activities and rating their responsiveness to small business.
- Coordinate the activities of 10 Regulatory Fairness (RegFair) Boards.

### **Office of Capital Access**

The Office of Capital Access (OCA) assists small businesses in obtaining the loans necessary for growth by being a gap lender, providing assistance to small businesses that would otherwise would not qualify for un-guaranteed financing, obtaining equity, or taking advantage of procurement opportunities.

The 7(a) loan program requires SBA's lending partners to certify that the applicant was unable to qualify for loans elsewhere on reasonable terms. The 504 program, which has a statutorily mandated job creation component, fills another lending gap by providing long term, fixed rate financing for major assets such as real estate and heavy equipment. The Surety Bond Guaranty is a program which serves as a gap surety bond credit provider expanding the bond credit and capacity of small contractors who would not otherwise be able to compete for public and private work. Small Business Investment Center (SBIC) financings generally support smaller transactions that may not otherwise receive funding from private venture firms or financial institutions.

#### **General Business 7(a) Loan Guaranty Program.**

The 7(a) loan program guarantees small business loans up to \$1 million (with a maximum loan size of \$2 million) for virtually every business purpose. The guaranty can be for as much as 85 percent on loans of \$150,000 or less and 75 percent on loans of more than \$150,000. Borrowers may have more than one SBA loan at a time, as long as the total amount guaranteed does not exceed the SBA's guaranty cap of \$1 million. The only exceptions to these limits are for loans approved under the Export Working Capital Program (EWCP), which receive a guaranty of up to 90 percent, and the Defense Loan and Technical Assistance (DELTA) Loan Program.

#### **504 Certified Development Company Loans**

The 504 program provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment. SBA fully guarantees (at 100 percent) debentures issued by the CDC for up to 40 percent of the project cost not to exceed \$1.0 million or \$1.3 million for projects that meet specific public policy purposes. The remaining 60 percent is provided by borrower injection (10-20 percent) and private capital sources.

#### **International Trade and United States Export Assistance Centers (USEACs)**

The Office of International Trade (OIT) develops, oversees, and delivers SBA's technical assistance and export finance programs to small business exporters. It provides overall direction to staff located across the country at 19 USEACs and 70 SBA District Offices. OIT works extensively with other Federal agencies, such as the Department of Commerce and the Export-Import Bank, to coordinate the delivery of services to small firms and with the U.S. Trade Representative on small business-related trade issues. OIT also supports the Administration's trade policy and foreign affairs efforts, participates actively in bilateral initiatives, and is a key participant on the interagency Trade Promotion Coordinating Committee (TPCC).

#### **Microloans**

The Microlending program serves entrepreneurs who lack the financial resources and the technical business knowledge to obtain loans in the commercial market. Microlending combines loans with intensive technical assistance, which increases the likelihood of the success of the borrower by providing essential training tailored to meet the individual needs of the small business. SBA makes loans up to \$750,000 to intermediaries who in turn make very small loans (\$35,000 and under) and provide technical assistance to entrepreneurs traditionally considered unbankable because of inexperience with credit, lack of assets, or the need for technical assistance.

#### **SBAExpress**

SBAExpress encourages lenders to make more small loans to small businesses. Participating banks use their own documentation and procedures to approve, service

and liquidate loans of up to \$150,000. In return, the SBA guarantees up to 50 percent of each loan.

### **Secondary Market**

Secondary market gives lenders holding SBA-guaranteed loans an opportunity to improve their liquidity by selling both the guaranteed and unguaranteed portion of the loans to investors. Frequent secondary market buyers include banks, savings and loan companies, credit unions, pension funds and insurance companies.

#### **Surety Bond Guarantee Program**

The SBG Program provides 70-90% bid, payment, and performance bond guarantees on behalf of small businesses for construction, service, and supply contracts up to \$2 million. SBA's guarantee provides surety companies with the necessary incentive to extend surety bond credit to small contractors who could not otherwise compete in the contracting industry.

### **Small Business Investment Company Program**

Small Business Investment Companies (SBICs) encourage private risk-taking by licensing and investing in privately owned and managed venture capital funds. These funds (SBICs) are a major source of scarce equity capital and long-term debt financing for new or expanding entrepreneurial companies. Thousands of small businesses across America benefit from this unique public-private partnership.

### **Office of Government Contracting and Business Development**

The acquisition reforms of the 1990s changed the way agencies obtain goods and services. Agencies are using Federal supply schedules, government-wide acquisition contracts, government purchase cards, and bundling contract requirements. While these streamlined contracting practices may provide for a more efficient procurement process, they often do not result in awards to small businesses. The Office of Government Contracting and Business Development (GC/BD) promotes increased small business participation in the Federal procurement market for goods and services. The office fulfills SBA's statutory mission to ensure that a fair share of Federal procurement goes to small businesses.

Working with Federal agencies, SBA negotiates procurement goals, monitors performance, encourages the use of small business sources, provides procurement training and technical assistance to small firms, and provides policy direction and guidance to Federal agencies. Several of the government-wide goals are statutory, including small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone small businesses, and service disabled veterans-owned small businesses.

### **8(a) Program**

The 8(a) Business Development Program assists firms owned and controlled by socially and economically disadvantaged individuals to enter and succeed in the economic mainstream. SBA helps eligible small businesses in a structured developmental process over a 9-year program participation term. SBA provides access to business development opportunities authorized under section 8(a) of the Small Business Act. Assistance includes access to sole source and limited competition Federal contract opportunities. The program works with Federal acquisition agencies to develop contract opportunities for program participants and assist firms with partnering, teaming, and joint venture arrangements in support of their business development plans. Nearly 10,000 firms participate in both the 8(a) and Small Disadvantaged Business programs.

### **HUBZone Program**

Historically Underutilized Business Zones (HUBZones) are distressed urban and rural areas characterized by chronic high unemployment and/or low household income, or are designated Indian Lands. Firms that SBA certifies as qualified HUBZone Small Business Concerns are eligible for Federal contract award preferences. Currently, the program has a portfolio of more than 9,000 firms, representing approximately \$16 billion in revenues. This portfolio of small businesses employs 122,000 people, of whom 85,000 live in economically distressed rural and urban communities—HUBZones.

### **7(j) Management and Technical Assistance Program**

Under the 7(j) Management and Technical Assistance Program, SBA awards grants, contracts, and cooperative



agreements for the development of training and technical assistance to companies owned and controlled by socially and economically disadvantaged individuals or companies located in areas of high unemployment, and firms located in areas of low income.

### **Prime Contracting**

Prime contracting increases small business opportunities in the Federal acquisition process. This is accomplished through initiating small business set-asides, identifying new small business sources, counseling small businesses on doing business with the Federal Government and assessing compliance with the Small Business Act through surveillance reviews.

### **Procurement Marketing & Access Network (PRO-Net®)**

Procurement marketing serves as an Internet-based search engine for contracting officers, a marketing tool for small firms and a link to procurement opportunities and information. PRO-Net® contains business information on thousands of small firms. It also provides links to the online Commerce Business Daily, Federal agencies' home pages and other sources of procurement opportunities. PRO-Net® registration is free.

### **Small Business Innovation Research (SBIR)**

SBIR provides a vehicle for small businesses to propose innovative ideas in competition for Phase I and Phase II awards, which represent specific research and development needs of the participating Federal agencies. These awards may result in commercialization of the effort at the Phase III level and are administered by the SBA's Office of Technology.

### **Small Business Research**

Small Business Research measures and reports the amount of Federal funding for research and R&D (excluding the amounts for SBIR and STTR) awarded to small businesses each year by the major research and R&D Federal agencies. The program is administered by the SBA's Office of Technology.

### **Small Business Technology Transfer (STTR)**

STTR requires each small business competing for a Federal R&D project to collaborate with a nonprofit

research institution. This program is a joint venture from the initial proposal to project completion. The program is administered by the SBA's Office of Technology.

### **Small Disadvantaged Business (SDB) Certification**

SDB certification ensures that small businesses owned and controlled by individuals claiming to be socially and economically disadvantaged meet the eligibility criteria. Once certified, the businesses are eligible to receive price evaluation credits when bidding on Federal contracts.

### **Entrepreneurial Development**

The Office of Entrepreneurial Development (OED) serves the small business community through outreach, public/private sector collaborative ventures and other creative mechanisms, providing counseling and training to America's small businesses that otherwise would not be able to afford this type of assistance. OED helps individual entrepreneurs to take advantage of opportunities the market offers by providing free and low-cost education and training, topical information and management assistance critical for sound decision making to start small businesses and through their "growth stages". The tools used to accomplish this are OED's SCORE, Small Business Development Center (SBDC) and Women's Business Center (WBC) programs and through delivery systems such as SBA's district offices and business information centers.

### **Business Information Center (BIC)**

BIC provides hardware, software and telecommunications at multiple locations to help small businesses start and grow. BIC counseling and training are provided by the Service Corps of Retired Executives (SCORE) and other SBA partners and community organizations.

### **SCORE**

The SCORE program uses a volunteer network of over 10,000 business men and women, in nearly 400 chapters throughout the country, to bring real-world expertise and hands-on experience to America's prospective and start-up small businesses. SCORE volunteers are active and retired executives and small business owners who provide online and face-to-face counseling, mentoring, and training workshop services to position small businesses for success through sound decision-making. These

“Counselors to America” give back to the nation’s local economies more than a million hours of volunteer service by annually conducting approximately 500,000 counseling and training sessions.

### **Small Business Development Centers**

The Small Business Development Center (SBDC) program provides management and technical assistance, with more than 1,100 service locations in all 50 states and the territories to start-up and established businesses seeking free or low cost assistance. SBDCs offer counseling, training, and other services tailored to meet the requirements and needs of the state and community in which the businesses are located. This program assists businesses in the areas of marketing and business strategy; financing; technology transfer; government procurement; management, manufacturing; engineering; sales; merchandising; accounting; e-commerce; exporting; and other disciplines needed to start and grow their small businesses.

### **Women’s Business Centers**

Women’s Business Centers (WBCs) assist women entrepreneurs by offering programs and services to help them succeed. WBCs promote the growth of women-owned businesses through programs that address business training and technical assistance, and provide access to credit and capital, federal contracts, and international trade opportunities. With women’s business centers in nearly every state and territory, a nationwide network of mentoring roundtables, women-owned venture capital companies, and technology, SBA is helping unprecedented numbers of women start and build successful businesses. WBCs help women at every stage of developing and expanding successful businesses by counseling, teaching, encouraging and inspiring.

### **Women-Owned Business Procurement**

Women-owned business procurement uses a multifaceted outreach and educational program to teach women business owners how to market to the Federal Government.

### **Office of National Women’s Business Council**

The Office of the National Women’s Business Council undertakes a variety of programs and initiatives in support of women-owned businesses. The Council holds two

statutorily-mandated public Council meetings, which now also includes the participation of the women’s business community at large. The Council also holds other public roundtable events: one with the Office of Advocacy and the Office of Women’s Business Ownership on the state of women’s business research, one on the issue of access to affordable health care, and one on the subject of mentoring for women in business.

The Council publishes research study reports, Issue in Brief reports (which synthesize and summarize Federal and other research information for women business owners and policy makers, such as on health care issues and Federal procurement), and Fact Sheets on the numbers and growth of categories of women-owned firms. The Council manages two web sites: [nwbc.gov](http://nwbc.gov) and [womenbiz.gov](http://womenbiz.gov), and has established a bimonthly e-newsletter, Engage! Also, the Council holds a monthly toll-free issues conference call, Women’s Business Connection, to inform and engage women business owners on important policy issues. Some of the subjects covered in the calls include: contract anti-bundling efforts, homeland security both from business ownership and procurement opportunities perspectives; mentoring; Federal procurement news and perspectives; and international trade.

### **Office of Disaster Assistance**

The Office of Disaster Assistance (ODA) plays a vital role in the aftermath of disasters. Through ODA, the SBA is responsible for providing affordable, timely and accessible financial assistance to homeowners, renters and businesses of all sizes affected by disaster. Financial assistance is available in the form of low-interest, long-term loans.

The disaster loan program is administered through four Area Offices located in Niagara Falls, NY; Atlanta, GA; Ft. Worth, TX; and Sacramento, CA. SBA’s disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses.

ODA makes two types of disaster loans:

- Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster-damaged privately-owned real and/or personal



property. SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.

- Economic injury disaster loans provide necessary working capital until normal operations resume after a disaster. Economic injury disaster loans are restricted to small businesses only.

### ***Office of Veterans Business Development***

Statutes direct the Office of Veterans Business Development to conduct comprehensive outreach on behalf of the Agency, and to be responsible for the formulation, execution, and promotion of policies and programs of the Administration. To accomplish these tasks, OVBD operates its National Outreach Initiative through direct service delivery, through utilization of funding agreements with resource partners, through coordination of outreach and service delivery with other federal Agency partners, and through development of Agency program initiatives.

## APPENDIX 10 DISCONTINUED PERFORMANCE INDICATORS

U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 1. Improve the economic environment for small businesses.									
Long-Term Objective 1.2: Ensure equity and fairness in the Federal regulatory enforcement process.									
Discontinued Performance Indicators									
SBA Outcome Measures		SBA Annual Outcome Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03-07 Goal
1.2.3 Achieve an annual customer satisfaction rating of 85 percent for complaint filers by FY2008		N/A	N/A	N/A	70%	N/A	N/A	N/A	N/A
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03-07 Goal
National Ombudsman	Percentage of excessive enforcement	N/A	N/A	5%	-10%	N/A	N/A	N/A	N/A
	Percentage of compliance assistance	N/A	N/A	5%	5%	N/A	N/A	N/A	N/A
	Percentage of Federal agency responses	N/A	50%	79%	70%	N/A	N/A	N/A	N/A
	Number of small business contacts	N/A	250,000	2,000,000	600,000	N/A	N/A	N/A	N/A
	Percentage of compliance assistance-single points of contact for SBRA	N/A	N/A	N/A	65%	N/A	N/A	N/A	N/A
	Number of small businesses impacted by comments made via ONO to Federal agencies	N/A	N/A	200,000	250,000	N/A	N/A	N/A	N/A

U.S. SMALL BUSINESS ADMINISTRATION <b>Results and Budgetary Resources</b>									
<i>Strategic Goal 1. Improve the economic environment for small businesses.</i> <i>Long-Term Objective 1.2: Ensure equity and fairness in the Federal regulatory enforcement process.</i>									
Discontinued Performance Indicators									
SBA Programs	Outcome Measures	Program Annual Outcome Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03-07 Goal
National Ombudsman	Increase percentage in customer satisfaction	N/A	N/A	N/A	70%	N/A	75%	N/A	85%



U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 1. Improve the economic environment for small businesses.									
Long-Term Objective 1.6: Increase the effectiveness of federal agencies to provide opportunities for small business.									
Discontinued Performance Indicators									
SBA Programs Outcome Measures		SBA Annual Outcome Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
1.6.1 Each year, Federal agencies meet the government-wide goal of awarding 23 percent of government contracts to small businesses		22.8%	22.6%	N/A	23.0%	N/A	N/A	N/A	N/A
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual <sup>1</sup>	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
GOV Contracting / Business Development									
Prime Contracting Assistance	Percentage of all Prime Contracting procurement dollars awarded to small firms	22.80%	22.60%	N/A <sup>2</sup>	23.0%	N/A	N/A	N/A	N/A
	Number of businesses trained and counseled at training or outreach events	N/A	N/A	18,000	20,000	33,842	N/A	N/A	N/A
	Percentage of all Prime Contracting procurement dollars awarded to small disadvantaged businesses	7.12%	6.75%	N/A <sup>2</sup>	5.0%	N/A	N/A	N/A	N/A
	Percentage of all Prime Contracting dollars awarded to women-owned small businesses	2.49%	2.90%	N/A <sup>2</sup>	5.0%	N/A	N/A	N/A	N/A
	Percentage of all Prime Contracting dollars awarded to service disabled veteran-owned small businesses	0.25%	0.13%	N/A <sup>2</sup>	3.0%	N/A	N/A	N/A	N/A
	Percentage of all Federal Prime Contracting dollars awarded to qualified HUBZone small business concerns	0.07%	0.72%	N/A <sup>2</sup>	3.0%	N/A	N/A	N/A	N/A

<sup>1</sup> Federal contract dollars are reported with one year delay.

<sup>2</sup> See Table "Prime Contract Goals and Achievements of 24 Largest Federal Agencies for FY2003" on page 101.

## U.S. SMALL BUSINESS ADMINISTRATION

*Strategic Goal 1. Improve the economic environment for small businesses.*

*Long-Term Objective 1.6: Increase the effectiveness of Federal agencies to provide opportunities for small business.*

## Discontinued Performance Indicators

SBA Programs	Outcome Measures	SBA Annual Outcome Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03-07 Goal
Subcontracting	Percentage of all subcontracting procurement dollars awarded to disadvantage businesses	5.90%	N/A	UNAVAIL.	5.0%	N/A	N/A	N/A	N/A
	Percentage of all subcontracting procurement dollars awarded to women-owned businesses	4.50%	N/A	UNAVAIL.	5.0%	N/A	N/A	N/A	N/A
	Percentage of all subcontracting dollars awarded to service disabled veteran-owned small businesses	0.08%	N/A	UNAVAIL.	3.0%	N/A	N/A	N/A	N/A
Procurement Matchmaking	Total Federal Grant Contract Dollars Awarded	\$1.3B	\$1.5B	UNAVAIL.	\$1.5B	N/A	N/A	N/A	N/A
	Commercialization Rate	40%	41%	N/A	42%	N/A	N/A	N/A	N/A
Procurement Matchmaking	Percentage of all procurement dollars awarded to small disadvantage businesses through Procurement Matchmaking	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.									
Long-Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).									
Discontinued Performance Indicators									
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
Capital Access									
SBIC Program	Licensee Examinations	298	326	365	400	N/A	N/A	N/A	N/A
Entrepreneurial Development									
SCORE	# clients served	321,989	365,443	393,677	405,487	383,997	N/A	N/A	N/A
	# of Information transfer contacts	N/A	N/A	\$1.4M	N/A	N/A	N/A	N/A	N/A
SBDC	# clients served	371,888	397,297	419,396	431,978	445,407	N/A	N/A	N/A
	# of Information transfer contacts	N/A	N/A	81,101	N/A	N/A	N/A	N/A	N/A
	# of training sessions	N/A	N/A	15,842	N/A	N/A	N/A	N/A	N/A
WBC	# clients served	48,614	68,598	85,290	87,849	98,170	N/A	N/A	N/A
	# of Information transfer contacts	153,639	155,542	244,788	N/A	N/A	N/A	N/A	N/A
BIC	# clients served	127,933	131,992	148,945	140,031	149,643	N/A	N/A	N/A
	# of Information transfer contacts	N/A	N/A	86,887	N/A	N/A	N/A	N/A	N/A

U. S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.									
Long-Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.									
Discontinued Performance Indicators									
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
Capital Access									
7(a) Loan Program	Dollar Volume of Total 7(a) Loans (Net) (\$billion dollars)	9.1	9.4	8.6	9.3	N/A	N/A	N/A	N/A
	Total Dollar Volume of 7(a) Loans below \$150,000 (NET)	2	2.2	2.6	1.9	N/A	N/A	N/A	N/A
	Dollar Volume of STAR Loans (\$ billion dollars)	N/A	1.8	1.8	N/A	N/A	N/A	N/A	N/A
SBIC	Program Examinations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gov Contracting / Business Development									
	Number of Firms Certified at Year End.	3,986	6,772	9,077	11,500	N/A	N/A	N/A	N/A
Entrepenurial Development									
SCORE	# clients served	65,949	74,850	80,633	83,052	78,650	N/A	N/A	N/A
SBDC	# clients served	237,764	254,009	268,139	276,183	284,769	N/A	N/A	N/A
	# training sessions	N/A	N/A	10,128	N/A	N/A	N/A	N/A	N/A
WBC	# clients served	12,153	17,150	17,708	21,332	24,542	N/A	N/A	N/A
	# information transfer contacts	38,410	38,885	61,197	N/A	N/A	N/A	N/A	N/A
BIC	# clients served	14,215	14,666	16,553	15,559	16,627	N/A	N/A	N/A
	# information transfer contacts	N/A	N/A	8,689	N/A	N/A	N/A	N/A	N/A
Cosponsorship	Not Measured (N/M)	N/M	N/M	N/M	N/M	N/A	N/A	N/A	N/A
International Visitors Program	Not Measured (N/M)	N/M	N/M	N/M	N/M	N/A	N/A	N/A	N/A
National Education Center	Not Measured (N/M)	N/M	N/M	N/M	N/A	N/A	N/A	N/A	N/A
Program Annual Outcome Measures									
Cosponsorship	Not Measured (N/M)	N/M	N/M	N/M	N/M	N/A	N/A	N/A	N/A
International Visitors Program	Not Measured (N/M)	N/M	N/M	N/M	N/M	N/A	N/A	N/A	N/A
National Education Center	Not Measured (N/M)	N/M	N/M	N/M	N/M	N/A	N/A	N/A	N/A

U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.									
Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (COG).									
Discontinued Performance Indicators									
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 2003–2007 Goal
Capital Access									
MicroLoans	Total dollar volume (net)	33,470	36,726	17,138	20,000	N/A	N/A	N/A	N/A
Gov Contracting/Business Development									
8a Program	Client success rate 3 years after graduation	64%	N/A	N/A	67%	N/A	N/A	N/A	N/A
	# business development actions	N/A	N/A	N/A	300	N/A	N/A	N/A	N/A
7(i) Program	# participating small businesses	1,964	605	8,038	4,000	N/A	N/A	N/A	N/A
SDB	Applications received	N/A	1,105	2,158	1,166	N/A	N/A	N/A	N/A
Business Linc	clients served	N/A	9,000	3,094	2,000	N/A	N/A	N/A	N/A
HUBZONE	Number of firms certified at year end	3,986	6,772	9,077	11,500	N/A	N/A	N/A	N/A
Entrepenurial Development									
SCORE	Total served	225,142	242,427	266,692	254,796	127,389	272,344	N/A	N/A
SBDC	Total served	397,141	396,989	381,903	392,309	314,823	547,792	N/A	N/A
WBC	Total served	91,023	103,280	109,985	115,742	77,225	130,051	N/A	N/A



U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 3. Restore homes and businesses affected by disaster.									
Long-Term Objective 3.1: Restoration-help restore homes and businesses affected by disaster.									
Discontinued Performance Indicators									
SBA Programs	Output Measures	Program Annual Output Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
Disaster Assistance									
	Applications processed in 21 days	94%	96%	99%	N/A	N/A	N/A	N/A	N/A

U.S. SMALL BUSINESS ADMINISTRATION									
Results and Budgetary Resources									
Strategic Goal 3. Restore homes and businesses affected by disaster.									
Long-Term Objective 3.2: Provide professional and couterous service.									
Discontinued Performance Indicators									
SBA Programs	Output Measures	Program Annual Outcome Measures							
		FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Goal	FY 2004 Actual	FY 2005 Goal	FY 2006 Goal	FY 03–07 Goal
Disaster Assistance									
	Provide courteous, professional and customer friendly disaster program delivery to loan applicants as measured by ACSI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

U.S. SMALL BUSINESS ADMINISTRATION <b>Justification for Discontinued Performance Indicators</b>	
<i>Long-Term Objective 1.6: Increase the effectiveness of Federal agencies to provide opportunities for small business</i>	
<b>Performance Outcome Measures</b>	
1.6.1 Each year, Federal agencies meet the government-wide goal of awarding 23 percent of government contracts to small businesses	Please see justification under Prime Contracting's Output Measures
<b>Performance Output Measures</b>	
Performance Indicator	Justification
<b>Government Contracting and Business Development</b>	
Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms	In the interest of developing a better understanding of the processes and procedures that promote and deter goal accomplishments. The knowledge gain as SBA partners with selected agencies will assist the Agency in achieving this LTO.
Prime Contracting—Number of businesses trained and counseled at training or outreach events	This performance indicator has been modified and divided into two separate measures "Small businesses trained (number), and "Small businesses counseled (number)" and will no longer be reported as a single measure. Therefore this measure has been discontinued as previously reported.
Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small disadvantaged businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Prime Contracting—Percentage of all Prime Contracting dollars awarded to women-owned small businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Prime Contracting—Percentage of all Prime Contracting dollars awarded to service disabled veteran-owned small businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Prime Contracting—Percentage of all Federal Prime Contracting dollars awarded to qualified HUBZone small business concerns	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Subcontracting—Percentage of all subcontracting Procurement dollars awarded to disadvantaged businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting Procurement dollars awarded to small firms."
Subcontracting—Percentage of all subcontracting procurement dollars awarded to women-owned businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Subcontracting— Percentage of all subcontracting dollars awarded to service disabled veteran-owned small businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Procurement Matchmaking—Percentage of all subcontracting procurement dollars awarded to women-owned businesses	Same justification as identified in "Prime Contracting—Percentage of all Prime Contracting procurement dollars awarded to small firms"
Procurement Matchmaking—Commercialization Rate	Commercialization Rate was reported incorrectly under Procurement Matchmaking during FY2003. Please see Prime Contracting.

<div> U.S. SMALL BUSINESS ADMINISTRATION <b>Justification for Discontinued Performance Indicators</b> </div>	
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i> <i>Long-Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).</i>	
Performance Output Measures	
Performance Indicator	Justification
Capital Access	
SBIC - Licensee Examinations	Measure does not help achieve the stated goal.
Entrepreneurial Development	
SCORE: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
SCORE: # of Information transfer contact	Lack of qualified personnel to conduct statistical analysis.
SBDC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
SBDC: # of information transfer contact	Lack of qualified personnel to conduct statistical analysis.
SBDC: # of training sessions	Measure does not help achieve the stated goal.
WBC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
WBC: # of information transfer contact	Lack of qualified personnel to conduct statistical analysis.
BIC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
BIC: # of Information transfer contact	Lack of qualified personnel to conduct statistical analysis.

U.S. SMALL BUSINESS ADMINISTRATION <b>Justification for Discontinued Performance Indicators</b>	
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i> <i>Long-Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.</i>	
Performance Output Measures	
Performance Indicator	Justification
<b>Capital Access</b>	
7(a) Loan Program—Dollar Volume of Total 7(a) Loans (Net) (\$billion dollars)	Program loan totals limited by budget authority.
7(a) Loan Program—Total Dollar Volume of 7(a) Loans below \$150,000 (NET)	Measure does not help achieve the stated.
7(a) Loan Program—Dollar Volume of STAR Loans (\$ billion dollars)	Discontinued program
SBIC—Program Examinations	Measure does not help achieve the stated goal
<b>Government Contracting and Business Development</b>	
HUBZone - Number of Firms Certified at Year End	As a result of the reevaluation, SBA discontinued this measure to ensure a more accurate output.
<b>Entrepreneurial Development</b>	
SCORE: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
SBDC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
SBDC: # training sessions	Measure does not help achieve the stated goal.
WBC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
WBC: # information transfer contacts	Lack of qualified personnel to conduct statistical analysis.
BIC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
BIC: # information transfer contacts	Lack of qualified personnel to conduct statistical analysis.
Co-sponsorship—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.
International Visitors Program—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.
National Education Center—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.
Performance Outcome Measures	
Co-sponsorship—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.
International Visitors Program—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.
National Education Center—Not Measured	It is not considered to be a program. Its cost has been reallocated as overhead.



U.S. SMALL BUSINESS ADMINISTRATION <b>Justification for Discontinued Performance Indicators</b>	
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>	
<i>Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (COG).</i>	
Performance Output Measures	
Performance Indicator	Justification
<b>Capital Access</b>	
MicroLoan Program—Total dollar volume (NET)	Measure does not help achieve the stated goal.
<b>Government Contracting and Business Development</b>	
8(a) Program—Client success rate 3 years after graduation	It was substituted by “Clients still in business 3 years after exiting program.”
8(a) Program—# business development actions	Measure does not help achieve the stated goal.
7(j) Program—# participating small businesses	Reassessment of measure resulted in substitution of measure. Currently measured as face-to-face training.
SBDC—Applications received	Measure does not help achieve the stated goal.
Business Linc—clients served	Discontinued Program.
HUBZone—Number of firms certified at year end	SBA believes that this PI does not eliminate policy formulation or decision making. The size of the HUBZone portfolio at any point is a function of : (1) certification actions and decertification actions; and (2) economic changes occurring in geographical areas that cause such communities to, and firms located therein, to lose HUBZone program eligibility. The former is relatively stable and predictable. The latter is highly unstable, and fully unpredictable. For this reason, this PI is of little or no interpretive value, and was, in fact, misleading as an output measure.
<b>Entrepreneurial Development</b>	
SCORE: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
SBDC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served.
WBC: # clients served	To better understand customers and achieve the stated goal, measure was split into attendees trained and clients served

U.S. SMALL BUSINESS ADMINISTRATION	
Justification for Discontinued Performance Indicators	
<i>Strategic Goal 3. Restore homes and businesses affected by disaster.</i>	
<i>Long-Term Objective 3.1: Restoration-help restore homes and businesses affected by disaster.</i>	
Performance Output Measures	
Performance Indicator	Justification
Disaster Assistance	
Applications processed in 21 days	The measure in the strategic plan has changed resulting in a discontinuation.
U.S. SMALL BUSINESS ADMINISTRATION	
Justification for Discontinued Performance Indicators	
<i>Strategic Goal 3. Restore homes and businesses affected by disaster.</i>	
<i>Long-Term Objective 3.2: Provide professional and courteous service.</i>	
Performance Output Measures	
Performance Indicator	Justification
Disaster Assistance	
Provide courteous, professional and customer friendly disaster program delivery to loan applicants as measured by ACSI	This measure has been moved to LTO 3.1. See "Customer Satisfaction."